



7 October 2009

SHEPHERD NEAME LIMITED

ANNOUNCEMENT OF PRELIMINARY RESULTS

Shepherd Neame, the Kent-based brewer and pub operator, today announces results for the 52 weeks ended 27 June 2009.

Financial performance:

- Turnover £109.5m (2008: £101.7m)
- Operating profit before exceptionals £9.5m (2008: £12.6m)
- Profit before tax £6.9m (2008: £8.7m)
- Earnings per share 44.7p (2008: 49.3p)
- Final dividend per £1 share 17.9p; total dividend per £1 share 22.45p (2008: 22.45p)

Operational highlights:

- Strong key sales indicators
 - turnover up 7.6%
 - total beer volume up 6.3%
 - like-for-like managed sales up 1.6% and margins maintained (with resilient London performance, up 2.7%)
 - like-for-like EBITDA per tenanted pub down 3.3%
- Operating profit before exceptionals down due to high short term or non-recurring items
 - rise in raw material costs
 - bottling capacity exceeded and temporary need to outsource production
 - market pressure felt most in smaller tenancies
 - high non-recurring overheads
- Significant achievements in 2008/09
 - 15 high quality and high turnover pubs acquired
 - new bottling line installed
 - SAP implementation complete
- Performance encouraging in 13 weeks to 26 September 2009
 - total beer volume up 10.1%
 - like-for-like managed sales up 4.0% (with food up 6.3%)
 - costs reducing in line with expectations
 - 13 properties sold or under contract for £3.4m

Miles Templeman, Chairman, commented:

"This has been a year of strong sales and significant achievement, but we have incurred high short term costs which have resulted in lower profit. However, we expect operating margin to improve in 2009/10."

Our strategy is to build a strong integrated beer and pub business. The strength of our balance sheet has enabled us to invest through the downturn which has presented an excellent opportunity to acquire 15 high quality pubs at attractive prices. We have also completed the modernisation programme of our production and distribution facilities.

Although the general short term economic outlook is uncertain we have made an encouraging start to the new year with strong beer volumes and like for like sales growth. We remain confident in the quality of our pub estate, the strength of our brands, our overall market position and our future prospects.”

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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 bottled ales in the UK with national distribution on draught (4.2% abv) and in bottle (4.5% abv) – 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.
- **Hürlimann** – Swiss lager (4.8% abv), UK trademark owned by Shepherd Neame.
- **Whitstable Bay** - modern, light organic bottled ale accredited by the Soil Association (4.5% abv) with national distribution.
- **Canterbury Jack** – Light, crisp, refreshing, cask ale (3.5% abv) launched in 2008 on draught, available across the south east.

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.
- **Kingfisher** – The leading Indian lager brand produced under licence from United Breweries of India (4.8% abv) and distributed in the majority of UK Indian restaurants.
- **Sun Lik** – Draught Chinese lager in the UK (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 United Dutch Breweries (3.9% abv), with wide distribution in the South East.

Shepherd Neame sold 264,000 brewers' barrels of beer (76.0 million pints) and brewed and packaged 222,000 brewers' barrels of beer (64.0 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 2009 operates 368 pubs in the South East, of which 321 are tenanted or leased and 47 managed. The pub estate ranges from food-focused destination houses and hotels to historic coaching inns and traditional community 'locals'.

Shepherd Neame's shares are traded on PLUS Market. 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

This has clearly been one of the most challenging and difficult years in the Company's long and successful history. The UK economy has suffered greatly and this has had an impact on our performance. However, we are already seeing the benefits of the investment and management action taken over the last year to reduce our cost base, improve our efficiency and enhance the quality of our pub estate. The recession has also presented an excellent opportunity to acquire some very high quality pubs at attractive prices.

Our brands and core pub estate have generally performed well in this challenging market and our continued investment in the Company has strengthened our ability to grow as the economy recovers.

Our trading has been resilient with turnover up by 7.6% to £109.5m but our profit before tax is down 20% to £6.9m. Operating profit before exceptionals has fallen from £12.6m to £9.5m. We have also recognised a number of exceptional charges.

We went live with the SAP system at the start of the financial year and incurred costs of £0.3m for consulting and other support in the period immediately thereafter.

We have carried out an impairment review on all our pub assets and recognised a charge of £0.5m in respect of five pubs, of which four were acquired in 2006 and 2007.

We also undertook a company reorganisation and redundancy programme at a cost of £0.8m.

Basic earnings per share were down 9.3% to 44.7p. Earnings per share before exceptionals are 32.6p, compared with 48.6p in 2008.

Capital Expenditure and Financing

Total capital expenditure was £28.0m. Our principal investment was the acquisition of 13 Punch pubs for £14.8m. We disposed of the freehold of 14 pubs raising cash proceeds of £7.2m. This investment and disposal is in line with our long term strategy of buying higher end pubs with excellent facilities and selling our smaller pubs to improve quality over time. The Punch purchase was financed by a new five year term loan of £15m arranged by The Royal Bank of Scotland and Lloyds Banking Group plc. At the same time, the Company's existing £10m revolving credit facility has been extended from 2012 to 2014. The pricing of the existing £60m term loan, maturing in 2026, remains unchanged. We retain a strong balance sheet following the acquisition and a robust long term financing package.

Dividends

A final dividend of 17.90p per £1 'A' ordinary share and 0.36p per 2p 'B' ordinary share has been proposed by the Board, giving total dividends for the year of 22.45p per £1 'A' ordinary share (2008: 22.45p) and 0.45p per 2p 'B' ordinary share (2008: 0.45p). The final dividend will be paid on 30 October 2009 to shareholders on the register as at the close of business on 14 October 2009.

The Market

The market for beer and pubs has faced enormous pressures in recent years. The cumulative effect of the smoking ban, punitive duty rates, cost inflation and the recession has accelerated changes that were already happening in consumer behaviour and lifestyles. National beer consumption is falling. In the year to June 2008 it fell by 2.8%, and to June 2009 by 7.0%. It is likely to continue to fall albeit at a slower rate. The decline in the On Trade has been steepest, with a fall of 8.3% in 2008 and 7.3% in 2009. Nationally, this is the sharpest contraction in pub volumes since the 1930s and, for the first time this year, draught beer sales account for less than 50% of total UK beer sales.

The first year of the smoking ban (2007/08) was always likely to be the worst, but recent research indicates that 45% of consumers are, in fact, positive about the ban and are now more likely to visit

pubs, although a similar number at present are going to pubs less often than a year ago as households cut back on expenditure. Regular consumers in particular are now much more likely to buy their alcohol in supermarkets than two years ago (source: A C Nielsen).

Those pubs which rely mostly on drinks with a limited range of facilities or entertainment have had to pass on duty and cost increases to consumers at a time of increased price sensitivity and of heavy discounting by the supermarkets. As a consequence the national rate of pub closures has accelerated to more than 50 per week.

Business Review

Beer sales will in future increasingly be concentrated in fewer and better pubs; speciality ale and lager are likely to continue to out-perform the market.

In many ways the recession has only accelerated the pre-existing market trends and reaffirmed that an integrated strategy with a focus on quality and value in our brands and pubs, with a strong regional presence, is the right direction for the future.

Our overall profit this year was adversely affected by factors which have cost us in the short term but are not expected to recur in the coming year.

The operating profit margin has reduced from 12.3% to 8.7%. Our sales have grown particularly strongly in the National Off Trade but in this year our raw material, production and overhead costs were at a peak. We expect margins to improve in 2009/10.

With a strengthened sales force we were able to build our position in the growing Off Trade sector, albeit with lower margins than in our more traditional business. This market trend is likely to continue and we are focused on the opportunity to drive sales in our bottled beers. This sales growth has given us much increased distribution and a strong platform to build on.

We have faced extra short term costs to meet this high demand but a new bottling line will enable us to supply the market more effectively in the future.

In the pub market existing trends have become even more accentuated by the recession. Good quality pubs, whether managed or tenanted, are doing well but some smaller pubs have declined significantly. In our case the decline in the bottom 10% of our pubs has impacted our overall performance and consequently we are taking action to dispose of up to 35 pubs in the next two to three years according to market conditions. This programme is well underway and we are achieving satisfactory disposal prices as demonstrated by profit on book value seen to date.

The major IT and business process programme we have been engaged in for the last three years has continued to place significant demands and costs on the business. The system is now working well and we can now begin to exploit the benefits to make our business more efficient and better able to respond to the fast-changing marketplace.

Auditors

In accordance with good practice, the Audit Committee has conducted a tender process for audit services. As a result of this process, Deloitte LLP have been appointed as auditors and tax advisers. We would like to thank Ernst & Young for the service they have given the Company over many years.

Summary

Despite the difficult trading conditions and profit downturn this year, we have made an encouraging start to the new year. However, we must remain cognisant of the continuing uncertainty over the general economic outlook in the short term but we remain confident in the quality of our pub estate, the strength of our brands, our overall market position and our future prospects.

CHIEF EXECUTIVE'S REVIEW

Overview

This has been a year of strong sales and significant achievement but we have incurred high costs which have resulted in lower profits.

Milestones of particular note this year include the acquisition of 15 high turnover pubs at attractive prices, the installation of a new bottling line and the completion of our SAP IT project.

Key sales indicators are strong: turnover is up 7.6%; total beer volume is up 6.3%; like-for-like managed sales are up 1.6% and tenanted sales revenue was up 0.4%.

Our operating profit before exceptional items however has declined by £3.1m for a variety of reasons:

- Raw material unit costs have again increased substantially;
- Sales declined in the bottom 10% of our tenanted estate and bad debts increased;
- We exceeded our bottle plant capacity and had to outsource;
- We have experienced high overhead costs as we restructured the business.

These issues are short term, non-recurring or, as a consequence of the actions set out below, should reduce substantially in 2009/10.

Key Management Actions

Our managed house and core tenanted estate have performed well in this difficult market. The estate has been further strengthened by this year's acquisitions. We have identified 35 pubs that we consider are non-core and will be disposed of in due course to help fund these purchases. These transactions will strengthen our estate in accordance with our long term strategy.

The premium bottled ale (PBA) market has grown substantially and this is forecast to continue. We have taken advantage of this trend and built a strong market position whilst the opportunity exists. Our total bottled sales have grown by 29% but this volume has exceeded the capacity of our old plant by 25%. The additional cost of meeting this demand was £0.5m. This will not recur in the coming year, as we have installed a new higher speed bottling line.

We went live with the SAP system at the start of the financial year. This implementation has not been without its challenges and has been costly but the transition is now successfully completed. This, together with our new bottling line, will provide us with a first-class platform with which to drive further cost reduction in the business.

In completing the redirection of our business we carried out a reorganisation of roles in May 2009 which resulted in a number of positions being made redundant at a total exceptional cost of £0.8m. We estimate that overheads in 2009/10 will reduce by £1m as a result.

Outlook and Current Trading

We have enjoyed an encouraging start to the new financial year and we can already see the benefits of the actions that we have taken. Like-for-like retail sales in the first nine weeks are up 2.7%. Beer volume, and in particular our bottled sales, have continued to grow. Our new pubs are performing well and our raw material costs and overheads are reducing in line with expectations. We have made good progress in disposing of our non-core estate.

Pub Business

At the year end, our estate comprised 49 managed and 331 tenanted and leased pubs.

Our total tied trade beer volume was down 4.6% year on year, against an On Trade market decline of 7.3%.

Our retail performance was strong with total revenue up 2.1% and margins have been maintained. Like-for-like sales for the year ended 27 June were up 1.6% with liquor up 2.8%, food up 0.4% and accommodation down 4.1%. The last 13 weeks of the year were the strongest with total like-for-like sales up 2.8% and this improvement has continued into the new year. The London market has again proved remarkably resilient and our like-for-like sales for the year were up 2.7%.

We have carried out a full review of our food purchasing and menu development during the year which was implemented in March. This has resulted in an improved offer to our customers. Following this we enjoyed 3.4% like-for-like sales growth in the final quarter and an uplift in margin. This has also continued into the new year.

The weakest part of our retail business was accommodation sales which were poor during the worst of the economic downturn in the winter.

I am pleased to advise that in the recent industry wide HIM *On Track* survey we were scored as the "Best Overall Pub Retailer" and "Best Retailer for Quality of Serve".

Our tenanted trade revenue was up 0.4%. Like-for-like earnings before interest, tax, depreciation and amortisation (EBITDA) per pub fell by only 3.3%, a strong performance compared to many of our peers. Excluding the 35 pubs identified for disposal the like-for-like EBITDA per pub in our core tenanted estate fell by 2.0%.

Rental and wholesale income were marginally down on last year, but AWP machine income has been declining for several years and was down again by 12.9%. Bad debt increased by £0.3m as the banks withdrew or restricted their facilities to many licensees during the worst period of the credit crisis.

We decided to support our tenants through this difficult economic period with increased investment in promotional activity and a £0.5m increase in revenue investment in external decorations.

We have reviewed our support services and carried out independent research with our licensees. The results are generally favourable, particularly with regard to the quality of advice and support from our Business Development Managers.

In the coming year we will further enhance the support we provide to our tenants with the introduction of online advisory and marketing services, development of a new website to improve pub and accommodation marketing and further traffic building promotional activity.

Since the year end we have announced a price freeze on own brewed products to our licensees until 2011, together with a scheme to match investment in their business pound for pound up to £25k. In addition we have made the popular Late Red ale exclusively available in our pub estate all year round. These initiatives have been very well received.

We have acquired 15 new pubs, of which 13 are freehold and two leasehold. Of these, five are managed: The Old Jamaica Wine House and Westminster Arms in central London; The Crown, Blackheath and The Star and The Britannia in Guildford.

The 13 freeholds were acquired in a single transaction from Punch Taverns plc of which 10 are trading under lease agreements. These pubs have high barrellage and high food turnover and were individually selected to give us improved representation in the wealthier areas of Greater London, Surrey and Essex. The pubs were acquired for £14.8m before expenses and are expected to generate in excess of £1.9m EBITDA in the first full year to June 2010.

We have also acquired one site for conversion into a licensed premises: the Repton Manor Barn which is part of a major retail and residential development in Ashford. This will open as a managed house in 2011.

During the year we disposed of the freehold of 14 pubs, for total proceeds of £7.2m at a profit of £3.0m including one transaction where we sold the freehold of four low yielding pubs which we have leased back and acquired the freehold of one other that had previously been leased. Since the year end we have a further 13 properties contracted or under offer for sale for gross proceeds of £3.4m.

Brands

Our beer sales volumes grew by 6.3% to 264,000 barrels.

The star performer was again Asahi Super Dry which grew by 38% with growth in keg and bottle in all channels. The brand enjoys good distribution in key metropolitan areas, in bars, restaurants and nightclubs. Its reputation is very strong and the brand enjoys premium pricing. At this stage in its lifecycle we are investing heavily in advertising, promotions and brand activity. We believe sales of this brand will continue to grow into 2010 and beyond.

Total sales of Spitfire were flat. We have seen growth in National Off sales but a decline in cask as many national customers have traded down. In August 2009 we reduced the ABV on draught to 4.2% to reposition the brand to sit alongside other premium ales.

Bishops Finger, now in its 50th year of production, enjoyed growth of 14%. Newer brands, such as Canterbury Jack and Whitstable Bay, have also performed well but off a smaller base.

Sales in the National Off Trade have been particularly strong with revenues up by 58%. We have outperformed this growing market and now enjoy a 6% share of the total PBA market. Both Spitfire and Bishops Finger are in the top 10 brands.

Local Free On Trade sales were strong with total revenues up by 9%. We have increased distribution within our heartland and our enlarged salesforce has won a substantial number of new accounts.

National On sales have, however, fared less well, with many of our key customers experiencing decline. As part of the Company reorganisation we have consolidated the field salesforce of our National Sales businesses under the same management.

Brewery

Since 2004 we have fully redeveloped and modernised our production and distribution facilities. This period of investment is now complete. The task in the brewery has changed to reflect the opportunities in the marketplace. Bottle sales now account for more than 40% of total sales, up from 33% last year.

The new bottling line was fully commissioned in July 2009. The investment included the installation of a new filler, flash pasteuriser, and a high speed packer. This follows our investment in a new palletiser/de-palletiser in 2007/08. We have reconfigured existing equipment to improve throughput. We have increased the capacity to meet demand, improved the packaging quality and reduced energy utilisation. As part of this project we have also upgraded our electrical network and CO2 capacity and converted all bottle products to lightweight glass. The total project was completed at a cost of £3.5m.

We went live with the new SAP system at the beginning of the year. After difficulties in the first few months post implementation, we have begun to see the benefits of an integrated and robust information platform. We have now far greater visibility and control on the business. One of the early benefits is that we have managed to reduce inventory levels by more than £1m, maintain stock availability and improve the freshness of our product in the supply chain. Another of the early benefits is greater efficiency in the way we load drays and plan distribution routes. Raw material unit costs were again very high, up 67% per unit since 2005/06. However, we are now seeing prices come down and expect overall unit costs of production to reduce in 2009/10.

Throughout the year, beer quality has been excellent. We have won four gold medals in the prestigious Monde World Selection Awards. Spitfire achieved a Grand Gold Award and Bishops Finger a Gold. Kingfisher won two Gold Awards.

Summary

This year the Company has faced significant challenges posed by the economic downturn, the underlying changes in the market place and implementing SAP and upgrading the bottling line simultaneously. This has made the management of the business unusually demanding. The brewery and pub estate is well invested. We have taken positive action to redirect parts of our business and believe that many of the factors influencing this year's result are temporary or short term. The objective for the new year is to consolidate and build from this platform. We firmly believe that the investment and strategies we have put in place will allow shareholders to benefit in the medium term.

I would like to pay particular tribute to the management team for steering the Company through this challenging period and I would like to thank our staff and licensees for their hard work, commitment and adaptability to change.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 27 June 2009

	note	2009 before exceptional items £'000	2009 exceptional items £'000	2009 total £'000	2008 £'000
Turnover	1	109,468	-	109,468	101,718
Operating charges		(99,984)	(1,632)	(101,616)	(90,853)
Operating profit		9,484	(1,632)	7,852	10,865
Profit on sale of property		-	2,989	2,989	1,279
Profit on ordinary activities before interest		9,484	1,357	10,841	12,144
Interest receivable and similar income		32	-	32	84
Interest payable and similar charges		(3,815)	(117)	(3,932)	(3,552)
Profit on ordinary activities before taxation		5,701	1,240	6,941	8,676
Taxation	2	(1,560)	302	(1,258)	(2,425)
Profit for the year after taxation		4,141	1,542	5,683	6,251
Earnings per £1 nominal share value					
Basic	4			44.7p	49.3p
Diluted	4			44.5p	48.9p
Basic before exceptional items	4			32.6p	48.6p

The results and earnings per share measures above are all in respect of continuing operations of the Group

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the profit attributable to the shareholders of the Company of £5,683,000 for the year ended 27 June 2009 (year ended 28 June 2008 - £6,251,000).

NOTE OF CONSOLIDATED HISTORICAL COST PROFITS AND LOSSES

	2009 £'000	2008 £'000
Profit on ordinary activities before taxation	6,941	8,676
Realisation of property revaluation	1,463	(41)
Historical cost profit on ordinary activities before taxation	8,404	8,635
Historical cost profit for the year retained after taxation	7,146	6,210

BALANCE SHEETS

As at 27 June 2009

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Fixed assets				
Intangible fixed assets	91	128	91	128
Tangible fixed assets	188,546	171,458	188,546	171,458
Investments and loans	2,009	1,929	2,110	2,030
	190,646	173,515	190,747	173,616
Current assets				
Stock	4,759	5,870	4,759	5,870
Debtors	16,806	16,301	16,806	16,301
Cash	215	86	215	86
	21,780	22,257	21,780	22,257
Creditors: amounts falling due within one year				
Bank loans and overdrafts	(1,500)	(1,605)	(1,500)	(1,605)
Creditors	(17,487)	(19,023)	(17,588)	(19,120)
	(18,987)	(20,628)	(19,088)	(20,725)
Net current assets	2,793	1,629	2,692	1,532
Total assets less current liabilities	193,439	175,144	193,439	175,148
Creditors: amounts falling due after more than one year				
Bank loans	(74,056)	(59,409)	(74,056)	(59,409)
Provisions for liabilities - deferred tax	(4,878)	(4,563)	(4,878)	(4,563)
Net assets	114,505	111,172	114,505	111,176
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	14,806	16,269	14,806	16,269
Reserve for own shares held	(1,254)	(1,587)	(1,254)	(1,587)
Profit and loss account	86,696	82,233	86,696	82,237
Equity shareholders' funds	114,505	111,172	114,505	111,176

These accounts were approved by the Board of Directors on 24 September 2009 and were signed on its behalf by:

M H Templeman
J B Neame

Directors

CONSOLIDATED CASH FLOW STATEMENT

Year ended 27 June 2009

	2009 £'000	2009 £'000	2008 £'000
Net cash inflow from operating activities		13,328	15,738
Returns on investment and servicing of finance			
Interest paid	(3,798)		(2,692)
Interest received	32		84
		(3,766)	(2,608)
Taxation paid		(1,415)	(2,111)
Capital expenditure and financial investment			
Purchase of tangible fixed assets	(26,448)		(17,240)
Proceeds of sales of tangible fixed assets	7,303		2,201
Receipt on dissolution of associated company	-		13
Additional loans to customers	(462)		(423)
Customer loan redemptions	124		222
		(19,483)	(15,227)
Equity dividends paid		(2,868)	(2,778)
Net cash outflow before financing		(14,204)	(6,986)
Financing			
Purchase of own shares		(21)	(517)
Repayment of short term loan		(1,000)	(1,000)
New short term loan		1,500	-
New long term loan		15,000	10,000
Issue cost of new long term loans		(541)	-
Movement in cash during the year		734	1,497

NOTES TO THE CONSOLIDATED CASHFLOW STATEMENT

Year ended 27 June 2009

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

	2009 before exceptional items £'000	2009 exceptional items £'000	2009 total £'000	2008 £'000
Operating profit	9,484	(1,632)	7,852	10,865
Depreciation and amortisation	5,877	-	5,877	5,268
Impairment provision	-	487	487	-
Charge for share-based payments credited to reserves	539	-	539	556
Decrease/(increase) in stocks	1,333	-	1,333	(328)
Increase in debtors and prepayments	(625)	-	(625)	(1,163)
(Decrease)/increase in creditors and accruals	(2,536)	-	(2,536)	245
Free trade loan discounts	258	-	258	293
Loss on sale of assets (excluding property)	143	-	143	2
	4,989	487	5,476	4,873
Net cash inflow from operating activities	14,473	(1,145)	13,328	15,738

2 Reconciliation of cash flows to movement in net debt

	2009 £'000	2008 £'000
Opening cash and overdraft	(519)	(2,016)
Closing cash and overdraft	215	(519)
Increase in cash during the year	734	1,497
New long term loan	(15,000)	(10,000)
Issue costs capitalised	541	-
New short term loans	(1,500)	-
Repayment of short term loan	1,000	1,000
Amortisation of loan issue costs	(188)	(29)
Movement in net debt during the year	(14,413)	(7,532)
Net debt at beginning of year	(60,928)	(53,396)
Net debt at end of year	(75,341)	(60,928)

3 Analysis of changes in net debt

	2008 £'000	Cash flow £'000	Repayment of short term loan £'000	New loans £'000	Amortisation of issue costs £'000	2009 £'000
Cash	86	129	-	-	-	215
Bank overdrafts	(605)	605	-	-	-	-
Debt due within one year	(1,000)	-	1,000	(1,500)	-	(1,500)
	(1,519)	734	1,000	(1,500)	-	(1,285)
Debt due after more than one year	(59,409)	-	-	(14,459)	(188)	(74,056)
Total	(60,928)	734	1,000	(15,959)	(188)	(75,341)

NOTES TO THE ACCOUNTS

27 June 2009

1. Turnover

Turnover comprises sales including excise duty, rents receivable and services rendered from continuing trading activities, net of discounts and 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 £1,795,000 (2008 - £1,684,000).

2. Taxation

a) Tax on profit on ordinary activities

	2009 £'000	2008 £'000
Current tax:		
UK corporation tax at statutory rate 28% (2008 – 29.5%)	1,246	1,734
Prior year over provision	(303)	(129)
Total current tax	943	1,605
Deferred tax:		
Origination and reversal of timing differences	242	563
Prior year under provision	73	257
Total deferred tax	315	820
Total tax charge	1,258	2,425

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 average statutory rate of corporation tax in the UK of 28% (2008 – 29.5%). The differences are reconciled below.

	2009 £'000	2008 £'000
Profit on ordinary activities before tax	6,941	8,676
UK corporation tax at average statutory rate 28% (2008 – 29.5%)	1,943	2,559
Expenses not deductible for tax purposes and non-taxable income	302	(103)
Capital allowances in excess of depreciation	(137)	(590)
Short term timing differences	(119)	(3)
Rolled over gains on asset disposals	(743)	(129)
Prior year over provision	(303)	(129)
	943	1,605

The exceptional profit on the disposal of properties of £2,989,000 (2008 - £1,279,000) does not give rise to a tax charge (2008 - £nil) due to rollover relief, other than a £40,000 tax charge suffered on the profit on disposal of land of £143,000.

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 £7.9m (2008 - £6.7m), based on a corporation tax rate of 28% (2008 - 28%). At present it is not envisaged that any such tax will become payable in the foreseeable future.

3. Dividends

	2009 £'000	2008 £'000
Declared and paid during the year		
£1 'A' ordinary shares:		
Final dividend for 2008: 17.90p (2007 – 17.20p)	2,042	1,964
Interim dividend for 2009: 4.55p (2008 - 4.55p)	521	518
	2,563	2,482
2p 'B' ordinary shares:		
Final dividend for 2008: 0.358p (2007 - 0.344p)	243	234
Interim dividend for 2009: 0.091p (2008 - 0.091p)	62	62
	305	296
Dividends paid	2,868	2,778
Proposed for approval at the 2009 AGM:		
Final dividend for 2009 on £1 'A' ordinary shares: 17.90p (2008 – 17.90p)	2,049	2,045
Final dividend for 2009 on 2p 'B' ordinary shares: 0.358p (2008 - 0.358p)	243	243
	2,292	2,288

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

	2009 £'000	2008 £'000
Based on £1 nominal share value		
Profit attributable to equity shareholders	5,683	6,251
Weighted average share capital	12,712	12,680
Dilutive outstanding options	58	106
Adjusted weighted average share capital	12,770	12,786
Basic	44.7p	49.3p
Diluted	44.5p	48.9p
Basic before exceptional items	32.6p	48.6p

The earnings per share before exceptional items are calculated on profit after tax and before exceptional items of £4,141,000 (2008 - £6,168,000 being profit after tax of £6,251,000 less exceptional profit of £83,000).

5. Accounts

The financial information set out above does not constitute the company's statutory accounts for the years ended 27 June 2009 or 28 June 2008 but is derived from those accounts. Statutory accounts for 2008 have been delivered to the Registrar of Companies and those for 2009 will be delivered following the company's annual general meeting. The auditors have reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498(2) or (3) of the Companies Act 2006.

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