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If you have sold or otherwise transferred all your Shares in the capital of Shepherd Neame Limited, please send this document, together with the accompanying Forms of Proxy and other documents, immediately to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.



SHEPHERD NEAME LIMITED

(Incorporated in England and Wales under the Companies Acts 1908-1913 with registered number 138256)

PROPOSED SHARE CAPITAL REORGANISATION

AND

NOTICES OF GENERAL MEETING AND SEPARATE GENERAL MEETINGS OF THE 'A' SHAREHOLDERS AND THE 'B' SHAREHOLDERS

Your attention is drawn to the letter from the Chairman of Shepherd Neame Limited which is set out in Part I of this document and which recommends that you vote in favour of the Resolutions to be proposed at the General Meeting, the Class Meeting of 'A' Shareholders and the Class Meeting of 'B' Shareholders referred to below.

Notice of a General Meeting of Shepherd Neame Limited to be held at The Brewery, 17 Court Street, Faversham, Kent at 12 noon on 5 June 2014 is set out at the end of this document. Notice of a Class meeting of 'A' Shareholders to be held at The Brewery, 17 Court Street, Faversham, Kent at 12.15 p.m. on 5 June 2014 (or as soon thereafter as the General Meeting shall have concluded or been adjourned) is set out at the end of this document. Notice of a Class Meeting of 'B' Shareholders to be held at The Brewery, 17 Court Street, Faversham, Kent at 12.20 p.m. on 5 June 2014 (or as soon thereafter as the Class Meeting of 'A' Shareholders shall have concluded or been adjourned) is set out at the end of this document. Forms of proxy for use at the General Meeting, the Class Meeting of 'A' Shareholders and the Class Meeting of 'B' Shareholders are enclosed and, to be valid, should be completed in accordance with the instructions printed thereon and returned by post or by hand as soon as possible but, in any event, so as to be received by the Company's Registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, no later than 48 hours before the time set for the commencement of the relevant meeting.

J.P. Morgan Cazenove, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively for the Company and for no one else in connection with the Share Capital Reorganisation and will not regard any other person (whether or not a recipient of this document) as a client in relation to the Share Capital Reorganisation and will not be responsible to anyone other than the Company for providing the protections afforded to clients of J.P. Morgan Cazenove or for affording advice in relation to the Share Capital Reorganisation, the contents of this document or any transaction, arrangement or other matter referred to in this document.

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EXPECTED TIMETABLE OF EVENTS

Latest time and date for receipt of Form(s) of Proxy:

– for the General Meeting	12 noon on 3 June 2014
– for the Class Meeting of ‘A’ Shareholders	12.15 p.m. on 3 June 2014
– for the Class Meeting of ‘B’ Shareholders	12.20 p.m. on 3 June 2014
General Meeting	12 noon on 5 June 2014
Class Meeting of ‘A’ Shareholders	12.15 p.m. on 5 June 2014
Class Meeting of ‘B’ Shareholders	12.20 p.m. on 5 June 2014
Record Date	6.00 p.m. on 6 June 2014
Admission and first day of dealings in Ordinary Shares	9 June 2014
Date on which existing share certificates become void	9 June 2014
CREST accounts credited with Ordinary Shares	9 June 2014
Date for dispatch of new share certificates in respect of Ordinary Shares	by 11 June 2014

PART I

LETTER FROM THE CHAIRMAN

SHEPHERD NEAME LIMITED

(incorporated in England and Wales with registered number 138256)

Directors:

M H Templeman (*Chairman*)
J H Leigh-Pemberton CVO (*Non-Executive Director*)
O W A Barnes (*Non-Executive Director*)
W J Brett (*Non-Executive Director*)
J B Neame DL (*Chief Executive*)
G H A Barnes (*Property and Tenanted Trade Director*)
N J Bunting (*Retail Director*)
G R Craig (*Brewing and Brands Director*)
M J Rider (*Finance and IT Director*)

Registered Office:

17 Court Street
Faversham
Kent
ME13 7AX

19 May 2014

To the Shareholders and, for information only, to participants under the Company Share Schemes

Dear Shareholder

1. Introduction

In 2014 Shepherd Neame celebrates its 100th AGM since incorporation. Shepherd Neame is Britain's Oldest Brewer and a family business with a proud heritage and clear strategy for the future. The last few years have seen the Company take important steps to enhance its business with the acquisition of some excellent pubs and hotels, transformational developments of many of our key sites, modernisation of the brewery and strengthening of our brand portfolio. These strategic developments have resulted in a strong trading performance in the current year to date and will, we believe, drive higher returns for the Company in the future.

Over the past year, your Board has carried out a business and Board reorganisation as referenced in the 2013 Annual and Interim Reports and, as announced on 25 September 2013, has also been conducting a review to assess the impact of the Company's capital structure on share liquidity. Your Board has now completed this review and sets out in this document its proposals to Shareholders.

In addition to the measures we have taken to strengthen the business further, we believe now is the time to modernise our capital structure. In August 2013 the 'A' Shares qualified for ISA Investment and in September 2013 the 'A' Shares were admitted to the CREST trading platform, with your Board passing a Resolution to remove the minimum 'A' shareholding qualification. Your Board is also pleased to note a further important step with the establishment of a Family Council, which allows for regular engagement and clearer communication with Family Members.

Following its review, your Board is proposing a simplification of the share capital structure of the Company that will result in the Company having a single class of Ordinary Shares in issue.

Under the Share Capital Reorganisation:

- each 'A' Shareholder will receive 1 Ordinary Share of 50 pence nominal value for each 'A' Share of £1.00 nominal value; and
- each 'B' Shareholder will receive 1 Ordinary Share of 50 pence nominal value for every 20 'B' Shares of 2 pence nominal value.

This will result in the 11,457,500 issued ‘A’ Shares (each of £1.00 nominal value) and the 68,000,000 issued ‘B’ Shares (each of 2 pence nominal value) being converted into 14,857,500 issued Ordinary Shares (each of 50 pence nominal value).

The Company will remain a private limited company, but the Share Capital Reorganisation will re-align the voting and economic rights of the Company. Immediately following the Share Capital Reorganisation, the Directors believe that the Family Members, Directors and employees will hold an aggregate beneficial interest of approximately 54 per cent. of both the issued share capital (increasing from approximately 47 per cent. prior to the Share Capital Reorganisation) and the votes (decreasing from approximately 91 per cent. prior to the Share Capital Reorganisation).

The Ordinary Shares will be admitted to trading on the ISDX Growth Market (where the ‘A’ Shares are currently traded), will be admitted to CREST and will be fully paid, rank *pari passu* and be freely transferable. Your Board believes that the ISDX Growth Market, as a low cost dealing service offering ISA investment eligibility and inheritance tax relief, provides significant benefits to the Shareholders. Additionally, the government has announced relief from stamp duty and stamp duty reserve tax on transactions in securities admitted to trading on the ISDX Growth Market, with effect from 28 April 2014, although the legislation implementing this measure is not expected to receive Royal Assent until July 2014, with the result that the availability of the relief going forward is conditional on Royal Assent occurring. In addition, the efforts of ICAP in promoting the attractiveness of ISDX as a dealing platform and implementing a new governance structure are further reasons for continuing to trade the Company’s Shares on this platform following the completion of the Share Capital Reorganisation. However, your Board monitors the appropriateness of the ISDX Growth Market for the Company’s Shares, has reviewed other trading options and will continue to do so.

This document explains the background to, and reasons for the Share Capital Reorganisation. The proposed Share Capital Reorganisation requires the approval of the Shareholders at the General Meeting and the consent of the ‘A’ Shareholders and ‘B’ Shareholders at the Class Meetings, all of which are to be held on 5 June 2014. Notices of these Meetings are set out at the end of this document.

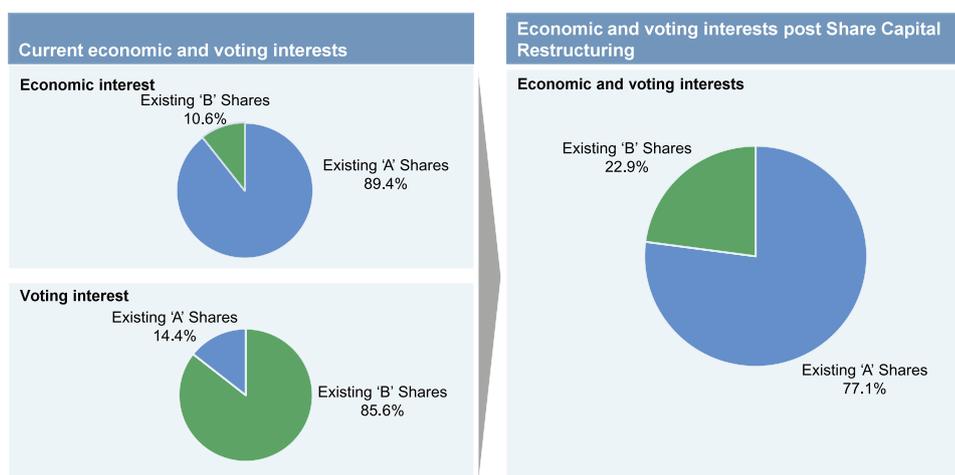
2. The proposed Share Capital Reorganisation

(a) *Background to and reasons for the proposed Share Capital Reorganisation*

For some time, your Board has been assessing the appropriateness of the Company’s capital structure against the backdrop of the Group’s strategy for growing the business. Up until 1977, the share capital of the Company comprised ‘A’ Shares, ‘B’ Shares and preference shares. In 1977, the preference shares were converted to ‘B’ Shares and, since this time, the two tier share capital structure has been in place.

Following the announcement by your Board in September 2013 of its share capital structure review and on the basis of discussions with both ‘A’ Shareholders and ‘B’ Shareholders since 2012, your Board concluded that there is widespread support amongst Shareholders for a simplification of the Company’s share capital structure into a single class of Ordinary Shares.

At present, the total voting rights of the current issued share capital are 79,457,500. On the basis of one vote per ‘A’ or ‘B’ Share, as provided for by the Existing Articles, the voting rights attaching to each ‘A’ Share (of which there are 11,457,500 in issue, each with a nominal value of £1.00) are identical to those attaching to each ‘B’ Share (of which there are 68,000,000 in issue, each with a nominal value of 2 pence). As a result, the ‘A’ Shares represent 89.4 per cent. of the economic interest in the share capital of the Company and hold 14.4 per cent. of the voting rights in the Company and the ‘B’ Shares represent 10.6 per cent. of the economic interest in the share capital of the Company and hold 85.6 per cent. of the voting rights in the Company. The Share Capital Reorganisation will re-align the voting and economic rights of the Company, as shown below:



Your Board believes that the proposed Share Capital Reorganisation is in the best interests of both the 'A' Shareholders and 'B' Shareholders in the long term for the following reasons:

- a dual share class structure is unusual for a UK company with traded shares. The Share Capital Reorganisation will remove this anomaly, increasing the attractiveness of the Shares to investors and potentially enhancing liquidity for all Shareholders;
- the new structure simplifies the governance into one regime;
- since recent tax changes, the 'A' Shares are eligible for ISA investment but 'B' Shares are not and so the Share Capital Reorganisation opens up that opportunity for all Shareholders;
- on a *pari passu* basis, the 'B' Shares trade at a variable "internal market" premium to the 'A' Shares which will be regularised by the move to a single share class; and
- the current capital structure is inflexible and restricts the free transferability of 'B' Shares, which would be removed as a result of the Share Capital Reorganisation.

Family Members currently own both 'A' Shares and 'B' Shares. Following the Share Capital Reorganisation, the Company will remain an independent company with strong family links and involvement as evidenced by the Family Council set up earlier this year. In addition, for so long as Family Members hold, in aggregate, 20 per cent. or more of the issued ordinary share capital of the Company following the implementation of the Share Capital Reorganisation, it is proposed that the New Articles shall require the Company to have a minimum of three Directors who are Family Members. Your Board will therefore continue to contain an appropriate balance of Family Members and non-Family Members.

Your Board will continue to run the Company in the interests of Shareholders as a whole and will be focused on the objectives of an increasing underlying return on existing assets and a progressive dividend policy.

(b) ***Compensation for 'B' Shareholders: the 'B' Share Premium***

A conversion of the 'B' Shares into 'A' Shares on the basis of their nominal value only would result in a significant loss of voting rights for the 'B' Shareholders. In order to compensate the 'B' Shareholders for this loss in voting rights, they will, on completion of the Share Capital Reorganisation, receive an increased percentage in the capital of the Company by way of the Subdivision of the 'A' Shares and the Compensatory Bonus Issue, as a result of which the 'B' Shares will be valued at a premium to the 'A' Shares, with this premium being referred to as the **'B' Share Premium**. In consequence and as described above, the aggregate votes attributable to the Existing 'B' Shares will reduce from approximately 85.6 per cent. to 22.9 per cent.

The Board has established a committee, consisting of James Leigh-Pemberton and myself, in order to consider an appropriate level for the 'B' Share Premium. The committee has considered a number of factors, including:

- (a) the aggregate votes currently attributable to the Existing 'B' Shares with the voting control that the Existing 'B' Shares have as a result and the proportion of the capital of the Company the 'B' Shareholders should receive to compensate them for the reduction in their voting rights under the Share Capital Reorganisation;
- (b) the impact of earnings dilution and dividend entitlement for the 'A' Shareholders;
- (c) the historic level of the 'B' Share price and the premia at which the 'B' Shares have traded over 'A' Shares in recent years; and
- (d) precedent levels from similar share capital reorganisations undertaken by other publicly traded companies.

The proposed 'B' Share Premium determined by the committee for the purposes of the Share Capital Reorganisation is 2.5 times.

The proposed 'B' Share Premium of 2.5 times is within the "internal market" premium range at which the 'B' Shares have traded above the 'A' Shares in recent years. Taking into account the earnings and dividend impacts of the Share Capital Reorganisation on 'A' Shareholders and 'B' Shareholders (details of which are set out below), the committee believes that the proposed 'B' Share Premium fairly represents the interests of all Shareholders.

Further details of the Share Capital Reorganisation and the Resolution to be proposed at the General Meeting in order to approve the Share Capital Reorganisation are set out in Part II of this document.

(c) ***Earnings and Dividends***

The Share Capital Reorganisation will result in an approximate 13.8 per cent. dilution in the issued share capital of (and earnings attributable to) the 'A' Shareholders. The Share Capital Reorganisation will result in a premium of 2.5 times the earnings attributable to the 'B' Shareholders.

The total dividend payable to 'B' Shareholders will increase by 2.5 times (in line with the 'B' Share Premium and increase in the earnings attributable to the 'B' Shareholders). Consequently, the total dividend payable by the Company to Shareholders will increase by around 16 per cent. post the Share Capital Reorganisation. The total dividend rate payable to 'A' Shareholders will not be affected by the Share Capital Reorganisation and the new dividend rate will be determined in the usual way.

Subject to satisfactory performance, your Board intends to continue to grow the dividend rate payable to all Shareholders and with a view to a target dividend cover in the region of 2 times basic earnings per share pre-exceptional items in the medium term.

(d) ***Tax***

The Company has been advised that the Share Capital Reorganisation will constitute a reorganisation of the share capital of the Company for the purposes of UK tax on chargeable gains and as such should not give rise to any occasion of charge to UK tax for Shareholders. Instead, a Shareholder's new holding of Ordinary Shares should be treated as the same asset, and with the same base cost, as the Existing 'A' Shares and/or Existing 'B' Shares (as applicable) held by such Shareholder.

For the purposes of business property relief from inheritance tax, the period of ownership of a Shareholder's holding of Ordinary Shares arising as a result of the Share Capital Reorganisation should include his or her period of ownership of Existing 'A' Shares and/or Existing 'B' Shares (as applicable).

Further details on certain of the key UK tax implications of the Share Capital Reorganisation are set out in Part IV of this document.

Any person who is in any doubt as to his or her tax position, or who is subject to taxation in any jurisdiction other than that of the UK, should consult his or her own professional advisers immediately.

(e) ***Admission, CREST and Share Certificates***

The Share Capital Reorganisation will become effective on the Record Date, being 6.00 p.m. on 6 June 2014.

Admission of the Ordinary Shares to the ISDX Growth Market is expected to take place and dealings to commence on 9 June 2014.

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument. The New Articles (to be adopted pursuant to the Resolution) permit the holding and transfer of Ordinary Shares in CREST. The Directors have applied for the Ordinary Shares to be admitted to CREST, and accordingly enabled for settlement in CREST, as soon as practicable after Admission has occurred and CREST has agreed to such admission. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain a share certificate will be entitled to do so.

It is anticipated that share certificates for the Ordinary Shares will be despatched (at the risk of the person entitled thereto) by first class post to Ordinary Shareholders whose entitlements are dealt with outside of CREST on 11 June 2014 or as soon thereafter as is practicable and that CREST accounts in respect of those Shareholders who have requested that their entitlements are dealt with inside CREST will be credited on or before 9 June 2014. Existing 'A' Share and 'B' Share certificates will cease to be valid and should be destroyed on receipt of Ordinary Share certificates.

3. Articles of Association

Amendments will be required to the Existing Articles to reflect the fact that, following the implementation of the Share Capital Reorganisation, the 'A' Shares and 'B' Shares will be re-designated as Ordinary Shares. In addition, the Directors consider that it is appropriate to take this opportunity to update the Existing Articles. The Resolution to be proposed at the General Meeting will make the necessary changes by way of the adoption of the New Articles and a summary of the main changes is set out in Part III of this document.

4. Shareholder Meetings and Action to be Taken

The proposed Share Capital Reorganisation is conditional upon:

- Shareholders passing the Resolution to approve the Share Capital Reorganisation (including the adoption of the New Articles and the renewal of the Company's share buyback authority) at the General Meeting; and
- 'A' Shareholders and 'B' Shareholders approving the passing of the Resolution to approve the Share Capital Reorganisation (including the adoption of the New Articles and the renewal of the Company's share buyback authority) at the Class Meetings.

The Resolution to be proposed at the General Meeting will need to be passed as a special resolution in order to approve the Share Capital Reorganisation, requiring a majority in favour of the Resolution of not less than 75 per cent. of the votes cast by Shareholders who vote in person or by proxy at the General Meeting. Similarly, the Resolutions to be proposed at the Class Meetings will need to be passed as extraordinary resolutions, also requiring a majority in favour of the Resolutions of not less than 75 per cent. of the votes cast by 'A' or 'B' Shareholders who vote in person or by proxy.

You will find notices of a General Meeting and Class Meetings of the 'A' Shareholders and 'B' Shareholders at the end of this document, all of which are to be held on 5 June 2014.

Shareholders will find enclosed with this document a white Form of Proxy for use by them in connection with the General Meeting. 'A' Shareholders will also find enclosed a yellow Form of Proxy and 'B' Shareholders will also find enclosed a blue Form of Proxy for use by them in connection with the Class Meetings of the 'A' Shareholders and 'B' Shareholders, respectively.

All Shareholders, whether or not they propose to attend the meeting or meetings, are strongly urged to complete the enclosed Forms of Proxy and return them to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY as soon as possible and, in any event, so as to be received not later than 48 hours before the time fixed for the relevant meeting. The return of a Form of Proxy will not prevent you from attending the appropriate meeting or meetings and voting in person if you so wish.

If you are in any doubt as the action to be taken in relation to the completion and return of the Forms of Proxy or otherwise in relation to the Admission of the Ordinary Shares to the ISDX Growth Market and CREST and/or the issue of new certificates in respect of the Ordinary Shares (and the destruction of any existing Share certificates), then you may contact the Company's Registrars, Computershare Investor Services PLC, on the following telephone helpline: 0870 707 1291. The Company's Registrars will not be able to provide any other advice to Shareholders in relation to the Share Capital Reorganisation.

5. Strategy and Current Trading

Shepherd Neame is Britain's Oldest Brewer and a family business with a proud heritage. We have a clear strategy to grow and strengthen the business further.

We aim to provide a memorable experience for our customers when they visit our unique individual pubs and hotels and drink our distinctive and celebrated beers. In recent years, we have invested to improve the quality of our estate, the look and feel of our individual outlets and the quality of service and offer we provide to our customers and so drive footfall. Simultaneously, we have strengthened our portfolio of beers with licensed partnerships, such as Asahi Super Dry and Samuel Adams Boston Lager, and we have invested more in marketing and increased distribution in national and international markets for our key brands, such as Spitfire, Bishops Finger and Whitstable Bay. We are currently in the process of restructuring the Business and Board around two trading divisions (Brewing and Brands and Retail and Tenanted Pubs) to give clear focus to this strategic development and to drive higher performance out of existing assets.

We will grow the business through driving enhanced performance from existing outlets, by making individually selected high quality acquisitions of pubs and hotels, and by developing new customers and markets for our expanding portfolio of beers.

Your Board believes that the strong asset backing of our high quality pub and hotel estate and strong cashflow ensure that the business is well placed to deliver on our strategic objectives and provide consistent dividend growth for our Shareholders over the longer term.

A copy of the Company's announcement regarding current trading released today is set out in Part VI of this document.

6. Additional Information

Your attention is drawn to the information included in Parts II to VI of this document.

7. Irrevocable Undertakings and Letter of Intent

Your Board has received irrevocable undertakings to vote in favour of the Resolutions from Shareholders (including Directors) holding, in aggregate, 2,812,760 'A' Shares (representing 24.6 per cent. of the issued 'A' Shares and 3.5 per cent. of the total voting rights) and 44,958,042 'B' Shares (representing 66.1 per cent. of the issued 'B' Shares and 56.6 per cent. of the total voting rights), together representing 29.0 per cent. of the total issued share capital and 60.1 per cent. of the total voting rights of the Company.

Your Board has also received a letter of intent to vote in favour of the Resolutions in respect of 183,355 'A' Shares, representing 1.6 per cent. of the total 'A' Shares, 1.4 per cent. of the total issued share capital and 0.2 per cent. of the total voting rights of the Company.

8. Financial Advice

Your Board has received financial advice from J.P. Morgan Cazenove in relation to the Share Capital Reorganisation. In providing its financial advice to your Board, J.P. Morgan Cazenove has relied upon your Board's commercial assessment of the Share Capital Reorganisation.

9. Recommendation

Your Board believes the Share Capital Reorganisation is in the best interests of the Company and its Shareholders (as a whole) and accordingly, your Board unanimously recommends that you vote in favour of the Resolutions to be proposed at the General Meeting and at the Class Meetings. Your Directors have undertaken to vote in favour of the Resolutions at the General Meeting and, where relevant, each of the Class Meetings, in respect of their own beneficial holdings which amount to a total of 161,868 'A' Shares (representing 1.4 per cent. of the issued 'A' Shares) and 2,819,750 'B' Shares (representing 4.1 per cent. of the issued 'B' Shares), together representing 1.7 per cent of the total issued share capital and 3.8 per cent. of the total voting rights.

Yours faithfully

A handwritten signature in black ink, appearing to read 'M H Templeman', written in a cursive style.

M H Templeman
Chairman

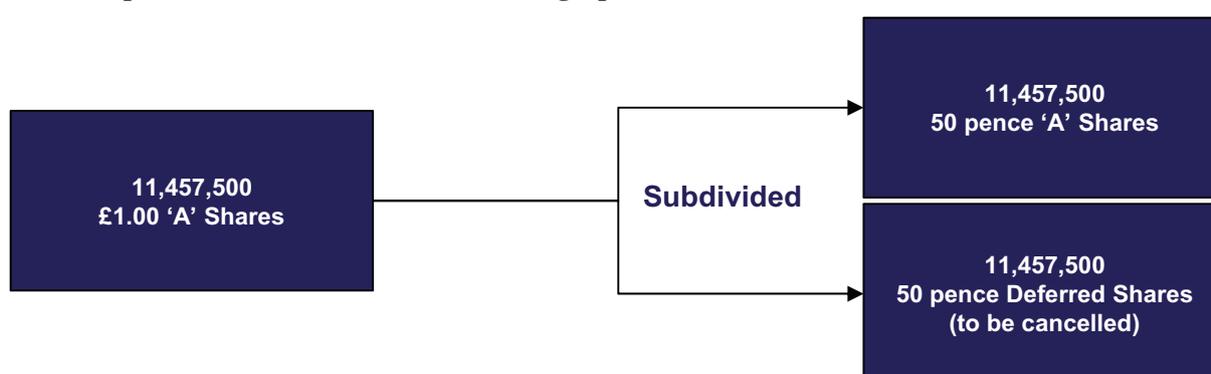
PART II

DETAILS OF THE SHARE CAPITAL REORGANISATION

As described in Part I of this document, it is proposed that the Company's share capital should be reorganised such that the Company will have only one class of identical, fully paid and freely transferable Ordinary Shares (of 50 pence nominal value each) ranking *pari passu*. The 'B' Shareholders will be compensated for their loss of voting rights as a result of the Share Capital Reorganisation by receiving 1 Ordinary Share (of 50 pence nominal value) in place of every 20 Existing 'B' Shares (of 2 pence nominal value). This equates to a 2.5 times 'B' Share Premium.

Details of the Resolution to be proposed at the General Meeting and required to give effect to the Share Capital Reorganisation (including how the 2.5 times 'B' Share Premium is provided to the 'B' Shareholders) are set out in paragraphs 1 to 6 below.

1. Step 1: Subdivision of 'A' Shares (Paragraphs (A) and (B) of the Resolution)



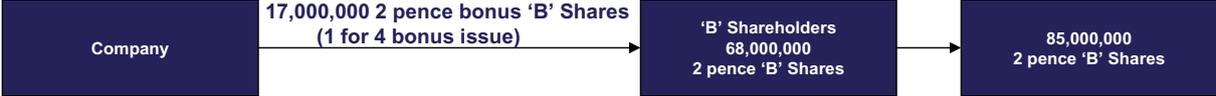
The 11,457,500 'A' Shares of £1.00 nominal value currently in issue will be subdivided into 11,457,500 'A' Shares of 50 pence nominal value and 11,457,500 Deferred Shares of 50 pence nominal value.

Following the subdivision of 'A' Shares, a conversion of the 'B' Shares into 'A' Shares on the basis of their nominal value only would mean that 50 'B' Shares of 2 pence nominal value would be equivalent to 2 'A' Shares of 50 pence nominal value (as opposed to the current position whereby 50 'B' Shares of 2 pence nominal value will equal 1 'A' Share of £1.00 nominal value). Consequently, the subdivision of the 'A' Shares will account for 2.0 times of the 'B' Share Premium as the number of 'B' Shares equivalent to an 'A' Share by nominal value will halve. The balance of the 'B' Share Premium will be accounted for by way of the Compensatory Bonus Issue described in Step 2 below.

In itself, the reduction in the nominal value of each 'A' Share from £1.00 to 50 pence will not affect the ultimate market value of the 'A' Shares or the Ordinary Shares following the 'A' Share Re-designation as nominal value and market value are distinct matters.

The Deferred Shares created by the Subdivision will have very limited share rights (including no rights to receive any dividends or distributions, no rights to vote at any general meeting of the Company and very restricted rights to receive the paid up nominal capital on any return of capital) and will consequently have no real economic value. For this reason, it is commonplace for such shares to be cancelled by the company issuing them and therefore, following the Subdivision, it is proposed that the Deferred Shares will be cancelled pursuant to the capital reduction to be approved in paragraph (B) of the Resolution. The reserve arising from the capital reduction will form part of the Company's distributable profits.

2. Step 2: Compensatory Bonus issue of ‘B’ Shares (Paragraph (C) of the Resolution)



A bonus issue of ‘B’ Shares of 2 pence nominal value will be made to existing ‘B’ Shareholders. Under the terms of the Compensatory Bonus Issue, ‘B’ Shareholders will receive one Bonus Issue ‘B’ Share for every four ‘B’ Shares held on the Record Date by way of the capitalisation of the sum of £340,000 standing to the credit of the Company’s share premium account.

As a result of the Compensatory Bonus Issue, a total of 17,000,000 Bonus Issue ‘B’ Shares of 2 pence nominal value will be issued by the Company so that there will be a total of 85,000,000 ‘B’ Shares of 2 pence nominal value in issue.

The Compensatory Bonus Issue will therefore account for the additional balance of the ‘B’ Share Premium so that Steps 1 and 2 together will result in a total ‘B’ Share Premium of 2.5 times.

Fractional entitlements will be issued where appropriate as part of the Compensatory Bonus Issue and will exist (along with the other ‘B’ Shares issued pursuant to the Compensatory Bonus Issue) briefly immediately prior to the Consolidation described in Step 3 below.

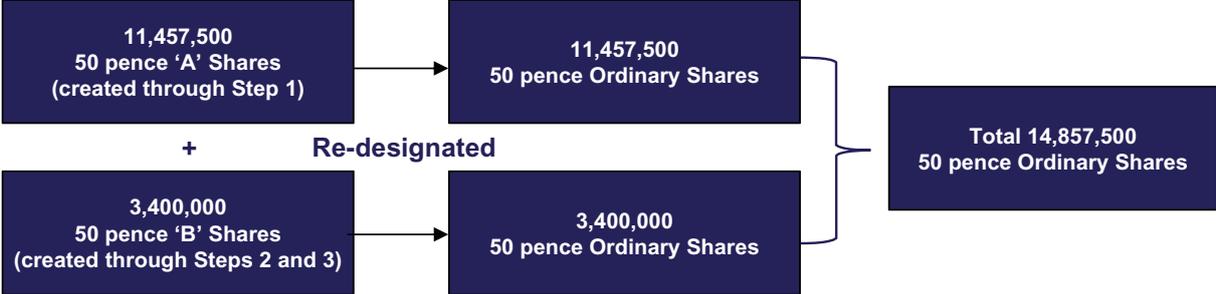
3. Step 3: Consolidation of ‘B’ Shares (Paragraph (D) of the Resolution)



Immediately following the Compensatory Bonus Issue, there will be a Consolidation of the ‘B’ Shares. Every 25 ‘B’ Shares of 2 pence nominal value will be consolidated into one ‘B’ Share of 50 pence nominal value.

The fractional entitlements arising from the Consolidation will be aggregated into whole ‘B’ Shares of 50 pence nominal value and ultimately re-designated into Ordinary Shares of 50 pence nominal value, in accordance with paragraph (E) of the Resolution (see Step 4 below). These Ordinary Shares will be held in a Computershare nominee account and then sold in the open market for the benefit of those Shareholders who would have been entitled to such fractional entitlements pro rata to their respective interests (save that if any entitlement is worth less than £3 then this amount may be kept by the Company).

4. Step 4: ‘A’ Share and ‘B’ Share Re-designation (Paragraph (E) of the Resolution)



Immediately following the Consolidation described in Step 3 above, all ‘A’ Shares and ‘B’ Shares of 50 pence nominal value will be re-designated into Ordinary Shares of 50 pence nominal value.

5. Step 5: Adoption of New Articles (Paragraph (F) of the Resolution)

Following the Re-designation of all the ‘A’ Shares and ‘B’ Shares into Ordinary Shares, the New Articles will be adopted. Details of the main changes provided for in the New Articles are set out in Part III of this document.

6. Step 6: Renew Share Buyback Authority (Paragraph (G) of the Resolution)

A resolution of Shareholders is needed in order to renew the share buyback authority of the Company passed at the 2013 AGM in respect of the new Ordinary Shares created as a result of the Share Capital Reorganisation. This will provide authority for the Company to purchase up to 1,485,750 of the issued Ordinary Shares representing 10 per cent. of the Company’s issued ordinary share capital (subject to the minimum and maximum prices which may be paid for an Ordinary Share purchased under this authority, as specified in the Resolution). This authority will expire at the conclusion of the Company’s next AGM or, if earlier, the date which is 15 months from the date of passing of the Resolution. Any Ordinary Shares purchased under this authority will be cancelled.

Summary

Under the Share Capital Reorganisation described above:

- each ‘A’ Shareholder will receive 1 Ordinary Share of 50 pence nominal value for each ‘A’ Share of £1.00 nominal value; and
- each ‘B’ Shareholder will receive 1 Ordinary Share of 50 pence nominal value for every 20 ‘B’ Shares of 2 pence nominal value.

Therefore, the impact on the Company’s issued share capital pre- and post- the Share Capital Reorganisation will be as follows:

<i>Pre-Share Capital Reorganisation</i>	<i>Post-Share Capital Reorganisation</i>
11,457,500 ‘A’ Shares of £1.00 nominal value	11,457,500 Ordinary Shares of 50 pence nominal value
+	+
68,000,000 ‘B’ Shares of 2 pence nominal value	3,400,000 Ordinary Shares of 50 pence nominal value
=	=
11,457,500 ‘A’ Shares of £1.00 nominal value and 68,000,000 ‘B’ Shares of 2 pence nominal value	14,857,500 Ordinary Shares of 50 pence nominal value

PART III

MAIN CHANGES TO THE ARTICLES

As described in the Chairman's letter set out in Part I of this document, it is proposed that the Company adopt the New Articles and there is set out below a summary of the main changes provided for in the New Articles.

A copy of the New Articles will be available for inspection on the Company's website www.shepherdneame.co.uk/investor-relations/general-meetings and at its registered office until the conclusion of the General Meeting.

1. Deletion of references to 'A' and 'B' Shares

Following the Share Capital Reorganisation, the 'A' Shares and 'B' Shares will be re-designated as Ordinary Shares and, therefore, all references to 'A' Shares and 'B' Shares have been removed from the New Articles, including the removal of the 'B' Shareholding qualification for certain directors and the restrictions on the transferability of the 'B' Shares.

2. Family Members and Directors

As a result of the removal of the 'B' Shareholding qualification for directors, the New Articles provide that where Family Members own, in aggregate, 20 per cent. or more of the issued ordinary share capital of the Company, then at least three directors of the Company shall be Family Members, so that Article 88 of the New Articles provides:

"If at any point the Family Members hold (in aggregate) 20 per cent. or more of the issued ordinary share capital of the Company, then at least three Directors of the Company shall be Family Members who shall be nominated and appointed by your Board in its absolute discretion, subject always to the Statutes."

The definition of Family Members for the purposes of the New Articles is as follows:

"Direct descendants of Percy Beale Neame or spouses or adopted children of direct descendants of Percy Beale Neame or sons-in-law, daughters-in-law, fathers, mothers, brothers, sisters, nephews or nieces of the spouse of a direct descendant of Percy Beale Neame or any of their descendants."

This is based on the provisions of the Existing Articles which govern those persons to whom a 'B' Shareholder may transfer 'B' Shares (Article 24(I) of the Existing Articles). However, the definition includes all descendants of Percy Beale Neame and the categories of relations of such descendants, rather than being fixed by reference only to such relations of the current 'B' Shareholders. Your Board will have ultimate responsibility for nominating and approving those Family Members who are to become directors of the Company.

3. CREST

The New Articles have been fully updated to reflect that the Company's Shares are now tradable through CREST. A number of consequential amendments have been made throughout the New Articles, but the key changes are the inclusion of provisions which permit shares to be held in uncertificated form and transferred on CREST and dividends to be paid through CREST where a Member holds shares in uncertificated form.

4. Company's Objects

Under the Companies Act 1985, the Company's memorandum of association contained, among other things, an objects clause which set out the scope of the activities the Company was authorised to undertake. The Companies Act 2006 provided that the objects clause and all other provisions which were contained in the memorandum of association were deemed to be incorporated into the articles of association but could be largely removed by a special resolution. Most companies, especially those with publicly traded shares, have passed the necessary resolution to remove any such objects clause and the New Articles, therefore, follow this approach and only incorporate those provisions of the Company's previous memorandum of association

which are required by the Companies Act 2006 (being the limitation on the Shareholders' liability and the location of the registered office).

5. Poll Vote

The right to demand a poll on any resolution proposed at a Shareholder meeting (Article 62 of the New Articles) has been updated to require that a minimum of five Shareholders are needed to demand a poll (rather than a minimum of three Shareholders under the Existing Articles), which conforms the New Articles with the provisions of the Companies Act 2006 in this regard. This is in addition to the existing right to call a poll for (i) the chairman of the meeting; (ii) Shareholders holding one-tenth of the total voting rights; or (iii) Shareholders holding one-tenth of the total sum paid up on the share capital.

6. Technical Director

The concept of a "Technical Director" has been removed and replaced with an ability to appoint persons with descriptive titles, including the word "director". This ensures that senior employees can be given the title of "director" but do not need to be members of your board of directors.

7. Directors' rotation/re-election

The rotation of directors provisions have been updated to bring them in to line with current good corporate governance practice, so that each director is required to retire at the third AGM following the AGM at which they were last elected/re-elected and any non-executive director who has been appointed for more than 9 years will be required to retire annually at each AGM.

8. Scrip Dividend

The New Articles include a new provision to permit your board of directors, if authorised by an ordinary resolution, to offer the Shareholders the right to elect to receive new shares, instead of cash, in respect of any dividend (i.e. implement a scrip dividend scheme). Your Board does not currently have any plans to implement such a scheme.

9. Directors' Indemnity

Amended provisions in relation to the scope of the indemnity available to the directors have been included to reflect the provisions of the Companies Act 2006. Under the amended provisions, the Company may provide funding to a director defending certain civil, criminal or regulatory proceedings/actions without being in breach of the prohibition on loans to directors under section 197 of the Companies Act 2006.

10. Alternate Directors

In line with good corporate governance, the provisions permitting a director to appoint an alternate have been removed from the New Articles.

PART IV

UNITED KINGDOM TAXATION

The following statements are intended only as a general guide to current UK tax legislation and to the current practice of HMRC and may not apply to certain Shareholders, such as dealers in securities, insurance companies and collective investment schemes. They relate only to certain limited aspects of the UK tax treatment of the Share Capital Reorganisation, and (except where stated otherwise) only to persons who are resident in the UK for UK tax purposes, who are beneficial owners of shares in the capital of the Company and who hold such shares as an investment (and not as employment-related securities).

Any person who is in any doubt as to his or her tax position, or who is subject to taxation in any jurisdiction other than that of the UK, should consult his or her own professional advisers immediately.

1. Chargeable gains

- a) As a general matter, the steps to be carried out in relation to the Company's share capital pursuant to the Share Capital Reorganisation (as described in Part II of this document) will each constitute a reorganisation of the share capital of the Company for the purposes of UK tax on chargeable gains. Accordingly, subject to the comments in paragraphs (b) and (c) below, Shareholders should not be treated as making a disposal of their Existing 'A' Shares and/or Existing 'B' Shares (as applicable) by reason of the implementation of those steps. Instead, a Shareholder's new holding of Ordinary Shares should be treated for capital gains tax purposes (or, if applicable, for the purposes of UK corporation tax on chargeable gains) as the same asset as that Shareholder's Existing 'A' Shares and/or Existing 'B' Shares (as applicable) and therefore should be treated as having the same aggregate base cost and having been acquired at the same time (or times) as the Shareholder's Existing 'A' Shares and/or Existing 'B' Shares (as applicable) were acquired.

For example, a Shareholder with a holding of 100 Existing 'A' Shares with a total base cost of £100 (i.e., £1.00 per Existing 'A' Share) and a holding of 600 Existing 'B' Shares with a total base cost of £12 (i.e., 2 pence per Existing 'B' Share) would, following the implementation of the Share Capital Reorganisation, have a new holding of 130 Ordinary Shares with a total base cost of £112, and so an effective base cost per Ordinary Share of about £1.16.

- b) Following the Subdivision, an 'A' Shareholder's base cost in his or her holding of Existing 'A' Shares should be apportioned between that shareholder's resulting New 'A' Shares and Deferred Shares pro rata to the value of each new class of share held. As the Deferred Shares have very limited share rights (including no rights to receive any dividends or distributions, no rights to vote at any general meeting of the Company and very restricted rights to receive the paid up nominal capital on any return of capital), they have no real economic value with the result that the amount of that base cost attributed to the Deferred Shares should be zero, and the entire historical base cost of a Shareholder's holding should be attributed to the Shareholder's holding of New 'A' Shares. Accordingly, the cancellation of Deferred Shares by way of a capital reduction should not result in a capital gain or capital loss arising to 'A' Shareholders.
- c) To the extent that a 'B' Shareholder receives cash by virtue of a sale on his or her behalf of any Ordinary Shares to which that 'B' Shareholder has a fractional entitlement (i.e., following the aggregation of the fractional entitlements arising from the Consolidation into whole Consolidated 'B' Shares and the re-designation of those shares into Ordinary Shares, as described in paragraph 4 of Part II of this document), the 'B' Shareholder should not, provided certain conditions are met, normally be treated as making a part disposal of their holding of Existing 'B' Shares. Instead, the proceeds received by the 'B' Shareholder would be deducted from the base cost of the 'B' Shareholder's holding of Ordinary Shares. This treatment applies where the cash received is 'small' as compared with the value of the shares in respect of which it is made. For this purpose HMRC regard 'small' as meaning 5 per cent. or less and additionally regard an amount of £3,000 or less as

'small', regardless of whether or not it would pass the 5 per cent. test. This treatment will not apply where such proceeds are greater than the base cost of the 'B' Shareholder's holding of Existing 'B' Shares.

2. Tax clearance

The Company has obtained clearance that HMRC is satisfied that no counteraction notice under section 698 Income Tax Act 2007 or under section 746 Corporation Tax Act 2010 should be served in relation to the transactions contemplated by this document.

3. Inheritance Tax ("IHT")

For the purposes of business property relief under Chapter 1 of Part V of the Inheritance Act 1984 ("IA 1984") and, in particular, the minimum period of ownership condition in section 106 IA 1984, the period of ownership of a Shareholder's holding of Ordinary Shares arising as a result of the Share Capital Reorganisation should include his or her period of ownership of Existing 'A' Shares and/or Existing 'B' Shares (as applicable).

4. Stamp duty and stamp duty reserve tax ("SDRT")

The allocation and issue of the Bonus Issue 'B' Shares will not give rise to a liability to stamp duty or SDRT.

PART V

ADDITIONAL INFORMATION

1. Company Share Schemes

(a) *Employee Share Incentive Plan*

Participants in the Company's Employee Share Incentive Plan (the "SIP") are the beneficial owners of 'A' Shares, the legal title to which is held by the trustee of the SIP, Capita IRG Trustees Limited (the "Trustee"). In accordance with the terms of the SIP, participants will be offered the opportunity to instruct the Trustee to vote in connection with the Share Capital Reorganisation in respect of the 'A' Shares that it holds on behalf of participants. Following the Share Capital Reorganisation, a participant's new holding of Ordinary Shares should be treated for UK capital gains tax purposes as the same asset as his prior holding of 'A' Shares and, if applicable, 'B' Shares – further details are set out in Part IV of this document.

A separate letter will be sent to the participants of the SIP containing further details regarding the above matters.

(b) *Restricted Share Scheme*

Participants in the Company's 2005 Restricted Share Scheme (the "RSS") hold options to acquire 'A' Shares. As they are not beneficial owners of these 'A' Shares they will not be entitled to vote in connection with the Share Capital Reorganisation in respect of such Shares. As soon as practicable following the Share Capital Reorganisation and otherwise in accordance with the terms of the RSS, the Board will consider making an adjustment to the number and class of shares over which participants hold options and/or the exercise price payable per share (if any) in order to reflect the changes to the Company's 'A' Shares as a result of the Share Capital Reorganisation. To the extent that such an adjustment is made, participants of the RSS will be notified accordingly.

2. Takeover Code

The Takeover Code applies to the Company by virtue of the 'A' Shares (and post the Share Capital Reorganisation, the Ordinary Shares) trading on the ISDX Growth Market.

Under Rule 9 of the Takeover Code, dealings which result in a person, together with such person's concert parties, holding securities carrying 30 per cent. or more of the voting rights of a company will give rise to an obligation on that person to make a mandatory general cash offer for that company. The Takeover Code defines concert parties broadly as being those in active co-operation to obtain or consolidate a holding of at least 30 per cent. in the voting rights of a company.

The Company has confirmed with the Takeover Panel that, as at today's date, it does not believe that there are any Shareholder concert parties which will, immediately following the Share Capital Reorganisation, hold 30 per cent. or more of the voting rights of the Company, with the consequent result that no mandatory general offer for the Company or waiver under Rule 9 of the Takeover Code should be required as a result of the Share Capital Reorganisation.

3. General

- (i) J.P. Morgan Cazenove has given and not withdrawn its written consent to the issue of this document with the references to it in the form and context in which they appear.
- (ii) Assuming that the Share Capital Reorganisation is approved and implemented, the total costs and expenses payable by the Company in connection with the Share Capital Reorganisation (including the costs of printing and posting, the fees payable to the Company's professional advisers and all other third party fees) are estimated at £0.6 million (including VAT).

PART VI

TRADING UPDATE

Shepherd Neame (“the Company”), the Kent-based brewer and pub operator, will be announcing its results for the 52 weeks ending 28 June 2014 in September 2014. Since the Company last reported its performance, trading has continued to be strong through the spring months, reflecting the benefit of investing consistently in our pubs and brands, and the favourable weather conditions.

For the 39 weeks to 29 March 2014, we have seen an excellent performance across our pub estate with Tenanted like-for-like EBITDAR up by +4.1%, average EBITDAR per tenanted pub up +6.0% and like-for-like sales in our Managed Houses up by +8.8%.

Total beer volume, for the 39 weeks to 29 March 2014 was down -0.3% following the termination of brewing bottled Kingfisher lager in October 2013. The core own and licensed portfolio grew by +6.0%. This reflects a continued strong performance in our portfolio and good growth in the recently launched Whitstable Bay range.

Following on from the success of the major redevelopment of the Marine Hotel, Whitstable in 2013, the Fayreess Hotel, Kingsgate has been fully refurbished and renamed The Botany Bay Hotel. The hotel opened on 22 March 2014 and trading to date has been ahead of expectations.

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

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

The Board is confident in delivering results for the 52 weeks ending 28 June 2014 in line with market expectations.

DEFINITIONS

In this document and in the Forms of Proxy, the following definitions shall apply unless the context require otherwise:

“Admission”	admission of the Ordinary Shares to trading on the ISDX Growth Market;
“‘A’ Shares”	the Existing ‘A’ Shares or the New ‘A’ Shares, as the context requires;
“‘A’ Shareholders”	holders of ‘A’ Shares;
“‘A’ Share Re-designation”	the re-designation of the New ‘A’ Shares into Ordinary Shares;
“AGM”	an annual general meeting of the Company;
“Board” or “Directors”	your Board of directors of the Company, whose names are set out on page 4 of this document;
“Bonus Issue ‘B’ Shares”	the new Existing ‘B’ Shares to be issued, credited as fully paid, pursuant to the Compensatory Bonus Issue;
“‘B’ Shares”	the Existing ‘B’ Shares or the Consolidated ‘B’ Shares, as the context requires;
“‘B’ Shareholders”	holders of ‘B’ Shares;
“‘B’ Share Re-designation”	the re-designation of the Consolidated ‘B’ Shares into Ordinary Shares;
“Class Meeting of ‘A’ Shareholders”	the separate class meeting of ‘A’ Shareholders convened for 12.15 p.m. on 5 June 2014 (or as soon thereafter as the General Meeting shall have concluded or been adjourned), notice of which is set out at the end of this document, or any reconvened meeting following adjournment thereof;
“Class Meeting of ‘B’ Shareholders”	the separate class meeting of ‘B’ Shareholders convened for 12.20 p.m. on 5 June 2014 (or as soon thereafter as the Class Meeting of ‘A’ Shareholders shall have concluded or been adjourned), notice of which is set out at the end of this document, or any reconvened meeting following adjournment thereof;
“Class Meeting”	the Class Meeting of ‘A’ Shareholders and/or the Class Meeting of ‘B’ Shareholders, as the context requires;
“Companies Act 2006”	the Companies Act 2006, as amended from time to time;
“Company” or “Shepherd Neame”	Shepherd Neame Limited, registered in England and Wales with company number 138256;
“Company Share Schemes”	The Shepherd Neame Employee Share Incentive Plan and The Shepherd Neame 2005 Restricted Share Scheme;
“Compensatory Bonus Issue”	the proposed issue to ‘B’ Shareholders of the Bonus Issue ‘B’ Shares;
“Computershare”	Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY;

“Consolidated ‘B’ Shares”	following the Consolidation, the ‘B’ ordinary shares of 50 pence each in the capital of the Company;
“Consolidation”	the consolidation of the Existing ‘B’ Shares into the Consolidated ‘B’ Shares;
“CREST”	the system of paperless settlement of trades in listed securities and holding of uncertificated securities operated by Euroclear UK & Ireland in accordance with the CREST Regulations;
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755) (as amended);
“Deferred Shares”	following the Subdivision, the deferred shares of 50 pence each in the capital of the Company;
“Existing Articles”	the articles of association of the Company as currently in force;
“Existing ‘A’ Shares”	‘A’ ordinary shares of £1.00 each in the capital of the Company;
“Existing ‘B’ Shares”	‘B’ ordinary shares of 2 pence each in the capital of the Company;
“Family Members”	direct descendants of Percy Beale Neame or spouses or adopted children of direct descendants of Percy Beale Neame or sons-in-law, daughters-in-law, fathers, mothers, brothers, sisters, nephews or nieces of the spouse of a direct descendant of Percy Beale Neame or any of their descendants;
“Form of Proxy” or “Forms of Proxy”	the white form of proxy for use in connection with the General Meeting, the yellow form of proxy for use in connection with the Class Meeting of ‘A’ Shareholders and/or the blue form of proxy for use in connection with the Class Meeting of ‘B’ Shareholders, as the context requires;
“General Meeting”	the General Meeting of the Company convened for 12 noon on 5 June 2014, notice of which is set out in the Notice of General Meeting, or any reconvened meeting following any adjournment thereof;
“Group”	the Company and its subsidiaries;
“HMRC”	HM Revenue and Customs;
“ISDX”	ICAP Securities & Derivatives Exchange Limited, a recognised investment exchange under section 290 of the Financial Services and Markets Act 2000 (as amended from time to time);
“ISDX Growth Market”	the primary market for unlisted securities operated by ISDX;
“J.P. Morgan Cazenove”	J.P. Morgan Limited of 25 Bank Street, Canary Wharf, London, E14 5JP, the Company’s financial advisor;
“New ‘A’ Shares”	following the Subdivision, ‘A’ ordinary shares of 50 pence each in the capital of the Company;
“New Articles”	the proposed new articles of association of the Company to be considered and, if thought fit, approved by Shareholders at the General Meeting;
“Notice”	the Notice of General Meeting and/or a Notice of Class Meeting, as the context requires;

“Notice of General Meeting”	the notice of General Meeting which is set at the end of this document;
“Notice of Class Meeting”	either or both notices for each of the Class Meetings which are set out at the end of this document, as the context requires;
“Ordinary Shares”	the ordinary shares of 50 pence each in the capital of the Company following the implementation of the Share Capital Reorganisation;
“Ordinary Shareholders”	holders of the Ordinary Shares;
“Record Date”	the date on which the Share Capital Reorganisation becomes effective, being 6.00 p.m. on 6 June 2014, or such later date as the Directors may determine;
“Re-designations”	the ‘A’ Share Re-designation and the ‘B’ Share Re-designation;
“Resolution” or “Resolutions”	the resolution set out in the Notice of General Meeting and/or the resolutions set out in the Notices of the Class Meetings, as the context requires;
“Share Capital Reorganisation”	the proposed reorganisation of the share capital of the Company such that it has one class of identical Ordinary Shares ranking <i>pari passu</i> , as described in this document;
“Shares”	‘A’ Shares, ‘B’ Shares and/or Ordinary Shares, as the context requires;
“Shareholder”	‘A’ Shareholders, ‘B’ Shareholders and/or Ordinary Shareholders, as the context requires;
“Subdivision”	the subdivision of each Existing ‘A’ Share into one New ‘A’ Share and one Deferred Share;
“Takeover Code”	the City Code on Takeovers and Mergers; and
“Takeover Panel”	the Panel on Takeovers and Mergers.

NOTICE OF GENERAL MEETING

SHEPHERD NEAME LIMITED

(Registered in England and Wales with no. 0138256)

NOTICE is hereby given that a General Meeting of the Company will be held at The Brewery, 17 Court Street, Faversham, Kent, ME13 7AZ on 5 June 2014 at 12 noon. for the purpose of considering and (if thought fit) passing the Resolution set out below which will be proposed as a special resolution. Capitalised terms used in this Notice shall have the same meaning as given to them in the section entitled 'Definitions' of the document of which this Notice forms part.

SPECIAL RESOLUTION

THAT, with effect from the Record Date:

- (A) each of the Existing 'A' Shares be subdivided and reclassified into one New 'A' Share having attached thereto the rights and being subject to the restrictions set forth in the Existing Articles in respect of Existing 'A' Shares and one Deferred Share having the rights and subject to the restrictions set out below:
- (i) the Deferred Shares shall confer no right to participate in the profits of the Company;
 - (ii) the holders of the Deferred Shares shall not be entitled to any right of participation in the assets of the Company available for distribution save for on a winding-up or a return of capital, in which case the assets of the Company available for distribution shall be applied in paying to the holders of the Deferred Shares the nominal capital paid up or credited as paid up on such Deferred Shares only after paying to the holders of the Ordinary Shares the nominal capital paid up or credited as paid up on the Ordinary Shares held by them respectively, together with the sum of £10,000,000 on each Ordinary Share;
 - (iii) the holders of the Deferred Shares will not be entitled to receive notice of any general meeting of the Company or to attend, speak or vote at any such meeting;
 - (iv) the Deferred Shares shall not be listed on any stock exchange nor shall any share certificate be issued in respect of such shares;
 - (v) the Deferred Shares shall not be transferable except in accordance with sub-paragraph (vii) of this paragraph (A) or with the written consent of the Board;
 - (vi) the Company may from time to time create, allot and issue further shares, whether ranking *pari passu* with or in priority to the Deferred Shares, and on such creation, allotment or issue any such further shares (whether or not ranking in any respect in priority to the Deferred Shares) shall be treated as being in accordance with the rights attaching to the Deferred Shares and shall not involve a variation of such rights for any purpose or require the consent of the holders of the Deferred Shares. The reduction by the Company of the capital paid up on the Deferred Shares and the cancellation of such shares shall be in accordance with the rights attaching to the Deferred Shares and shall not involve a variation of such rights for any purpose and the Company shall be authorised at any time to reduce its capital in accordance with the Companies Act 2006 without obtaining the consent of the holders of the Deferred Shares; and
 - (vii) the Company may at any time (and from time to time), (subject to the provisions of the Companies Act 2006) without obtaining the sanction of the holder or holders of the Deferred Shares appoint any person to execute on behalf of any holder of Deferred Shares a transfer of all of the Deferred Shares or any part thereof (and/or an agreement to transfer the same) to the Company or to such person as the Board may determine (whether or not an officer of the Company), in any case for not more than 1 penny (or for nil consideration) for all the Deferred Shares then being purchased, which payment may be made, if the Board so determines, to charity;

- (B) immediately upon the creation of the Deferred Shares pursuant to paragraph (A) of this Resolution becoming effective, the capital of the Company be reduced by cancelling and extinguishing the 11,457,500 issued Deferred Shares of 50 pence each in the capital of the Company fully paid;
- (C) the Directors be and are hereby authorised to capitalise an amount of £340,000 standing to the credit of the Company's share premium account and to apply such sum in paying up in full 17,000,000 Bonus Issue 'B' Shares each having the rights and restrictions set out in the Existing Articles and are hereby authorised pursuant to section 551 of the Companies Act 2006 to allot and issue the Bonus Issue 'B' Shares credited as fully paid up to the holders of the Existing 'B' Shares on the basis of one Bonus Issue 'B' Share for every 4 Existing 'B' Shares held on the Record Date (or such other time and/or date as the Directors may determine), provided that the authority hereby conferred shall expire at the close of business on 30 June 2014;
- (D) immediately upon the allotment and issue of the Bonus Issue 'B' Shares in accordance with paragraph (C) of this Resolution becoming effective, every 25 'B' Shares (comprising both issued Existing 'B' Shares and Bonus Issue 'B' Shares) shall be and are hereby consolidated into one Consolidated 'B' Share on terms such that any fractional entitlements of 'B' Shareholders to such Consolidated 'B' Share shall be aggregated and consolidated into Consolidated 'B' Shares and the Directors of the Company be authorised in accordance with Article 48 of the New Articles to sell any Ordinary Shares arising from the re-designation of such Consolidated 'B' Shares into Ordinary Shares in accordance with paragraph (E) of this Resolution and the net proceeds of sale be distributed in due proportion amongst those Shareholders entitled thereto (provided that the Company shall be entitled to retain any proceeds of less than £3.00 due to any Shareholder) and that any Director of the Company or any other person appointed by the Company be hereby authorised to execute an instrument of transfer in respect of such Ordinary Shares on behalf of such Shareholders;
- (E) immediately upon the Consolidation pursuant to paragraph (D) of this Resolution becoming effective, each of the Consolidated 'B' Shares and the New 'A' Shares be and are hereby re-designated as Ordinary Shares ranking *pari passu* and having attached thereto the rights and being subject to the restrictions contained in the New Articles;
- (F) the Existing Articles be varied so as to allow, permit and provide for all of the matters set out in paragraphs (A) to (E) of this Resolution and, immediately upon all such matters coming into effect, the New Articles produced to the Meeting be approved and adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the Existing Articles (as deemed to be altered by virtue of Section 28 of the Companies Act 2006); and
- (G) the Company be and is hereby generally and unconditionally authorised for the purpose of section 701 of the Companies Act 2006 to make market purchases (as defined in section 693 of the Companies Act 2006) of Ordinary Shares in the capital of the Company provided that:
- (i) the maximum number of Ordinary Shares hereby authorised to be purchased is 1,485,750;
 - (ii) the minimum price (exclusive of expenses) which may be paid for such Ordinary Shares is 50 pence per share, being the nominal amount thereof;
 - (iii) the maximum price (exclusive of expenses) which may be paid for such Ordinary Shares shall be a sum equal to 105% of the average of the middle market quotations for such shares (as derived from the ISDX website) for the five business days immediately preceding the day on which the purchase is made;
 - (iv) the authority hereby conferred shall (unless previously renewed or revoked) expire on the earlier of the end of the next Annual General Meeting of the Company and the date which is 15 months after the date on which this resolution is passed; and
 - (v) the Company may make a contract to purchase its own Ordinary Shares under the authority conferred by this resolution prior to the expiry of such authority, and such contract will or may be executed wholly or partly after the expiry of such authority, and the Company may make a

purchase of its own Ordinary Shares in pursuance of any such contract notwithstanding such expiry,

and this authority shall be in place of, and revoke, any existing authority of the Company to make market purchases of its own shares.

BY ORDER OF THE BOARD

R.N. Duncan
Company Secretary

Registered Office:

The Brewery
17 Court Street
Faversham
Kent
ME13 7AX

Date: 19 May 2014

Notes:

1. A member entitled to attend and vote at the General Meeting convened by the above Notice is entitled to appoint a proxy to exercise all or any of the rights of the member to attend and speak and vote on his behalf. A proxy need not be a member of the Company but must attend the General Meeting to represent you. A member may appoint more than one proxy in relation to the General Meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the General Meeting in person, your proxy appointment will automatically be terminated.
2. To appoint a proxy you may:
 - (i) use the white Form of Proxy enclosed with this Notice of General Meeting. To be valid, the white Form of Proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of the same, must be received by post or (during normal business hours only) by hand at Computershare Investor Services PLC, PO Box 82, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY, in each case no later than 12 noon on 3 June 2014; or
 - (ii) Vote online at www.investorcentre.co.uk/eproxy using the Control Number, Shareholder Reference Number and PIN printed on the white Form of Proxy by no later than 12 noon on 3 June 2014; or
 - (iii) if you hold your shares in uncertificated form, use the CREST electronic proxy appointment service as described in Note 3 below.

Completion of the white Form of Proxy or appointment of a proxy through CREST will not prevent a member from attending and voting in person.

3. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the General Meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland's specifications and must contain the information required for such instructions, as described in the CREST manual. The message must be transmitted so as to be received by the issuer's agent, Computershare Investor Services PLC (ID 3RA50), by 12 noon on 3 June 2014. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland does not make available special procedures in CREST for any particular messages. Normal system timing and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed (a) voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the CREST Regulations.
4. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded. Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol, BS99 6ZY or on 0870 707 1291. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

5. Pursuant to Regulation 41 of the CREST Regulations, only shareholders registered in the register of members of the Company as at 6.00 p.m. on 3 June 2014 shall be entitled to attend and vote at the General Meeting in respect of the number of shares registered in their name at such time. If the General Meeting is adjourned, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and vote at the adjourned General Meeting is 6.00 p.m. on the day preceding the date fixed for the adjourned General Meeting. Changes to the register of members after the relevant times shall be disregarded in determining the rights of any person to attend and vote at the General Meeting.
6. In the case of joint holders, the vote of the senior holder who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.
7. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided they do not do so in relation to the same shares. To be effective, any instruction appointing a corporate representative must be deposited at the registered office of the Company, The Brewery, 17 Court Street, Faversham, Kent ME13 7AX not less than 48 hours before the General Meeting.
8. The Notice of the General Meeting together with other information for Shareholders as regards the General Meeting will be displayed on the Company's web site www.shepherdname.co.uk/investor-relations/general-meetings.
9. The proposed New Articles are available for inspection on the Company's website www.shepherdname.co.uk/investor-relations/general-meetings and at the registered office of the Company, The Brewery, 17 Court Street, Faversham, Kent, ME13 7AX, during usual business hours on any weekday (Saturdays, Sundays and public holidays excluded), from the date of this Notice until the conclusion of the General Meeting and will be available for inspection at the place of the General Meeting for at least 15 minutes prior to and during the Meeting.

NOTICE OF A SEPARATE GENERAL MEETING OF 'A' SHAREHOLDERS

SHEPHERD NEAME LIMITED

(Registered in England and Wales with no. 0138256)

NOTICE IS HEREBY GIVEN that a separate general meeting of the 'A' Shareholders will be held at the Brewery, 17 Court Street, Faversham, ME13 7AX at 12.15 p.m. on 5 June 2014 (or as soon thereafter as the General Meeting of the Company to be held at 12 noon on 5 June 2014 shall have concluded or been adjourned) for the purpose of considering and, if thought fit, passing the Resolution set out below which will be proposed as an extraordinary resolution. Capitalised terms used in this Notice shall have the same meaning as given to them in the section entitled 'Definitions' of the document of which this Notice forms part.

EXTRAORDINARY RESOLUTION

THAT this separate general meeting of 'A' Shareholders hereby sanctions the passing by the Company of the Resolution set out in the Notice of General Meeting and the implementation of the Share Capital Reorganisation in accordance with the terms of such Resolution, and such modifications, variations or abrogations of the special rights or privileges attached to the 'A' Shares as may be effected by or involved in such Resolution or the implementation of the Share Capital Reorganisation as a result thereof.

BY ORDER OF THE BOARD

R.N. Duncan
Company Secretary

Registered Office:

The Brewery
17 Court Street
Faversham
Kent
ME13 7AX

Date: 19 May 2014

Notes:

1. A member entitled to attend and vote at the Meeting convened by the above Notice is entitled to appoint a proxy to exercise all or any of the rights of the member to attend and speak and vote on his behalf. A proxy need not be a member of the Company but must attend the Meeting of 'A' Shareholders to represent you. A member may appoint more than one proxy in relation to the Meeting of 'A' Shareholders, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the Meeting of 'A' Shareholders in person, your proxy appointment will automatically be terminated.
2. To appoint a proxy you may:
 - (i) use the yellow Form of Proxy enclosed with this Notice of Meeting. To be valid, the yellow Form of Proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of the same, must be received by post or (during normal business hours only) by hand at Computershare Investor Services PLC, PO Box 82, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY, in each case no later than 12.15 p.m. on 3 June 2014; or
 - (ii) Vote online at www.investorcentre.co.uk/eproxy using the Control Number, Shareholder Reference Number and PIN printed on the yellow Form of Proxy by no later than 12.15 p.m. on 3 June 2014; or
 - (iii) if you hold your shares in uncertificated form, use the CREST electronic proxy appointment service as described in Note 3 below.

Completion of the yellow Form of Proxy or appointment of a proxy through CREST will not prevent a member from attending and voting in person.

3. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the General Meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland's specifications and must contain

the information required for such instructions, as described in the CREST manual. The message must be transmitted so as to be received by the issuer's agent, Computershare Investor Services PLC (ID 3RA50), by 12.15 p.m. on 3 June 2014. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland does not make available special procedures in CREST for any particular messages. Normal system timing and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed (a) voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the CREST Regulations.

4. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded. Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol, BS99 6ZY or on 0870 707 1291. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
5. Pursuant to Regulation 41 of the CREST Regulations, only shareholders registered in the register of members of the Company as at 6.00 p.m. on 3 June 2014 shall be entitled to attend and vote at the Meeting of 'A' Shareholders in respect of the number of shares registered in their name at such time. If the Meeting of 'A' Shareholders is adjourned, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and vote at the adjourned Meeting of 'A' Shareholders is 6.00 p.m. on the day preceding the date fixed for the adjourned Meeting of 'A' Shareholders. Changes to the register of members after the relevant times shall be disregarded in determining the rights of any person to attend and vote at the Meeting of 'A' Shareholders.
6. The quorum for the Meeting of 'A' Shareholders is a minimum of two persons holding or representing by proxy at least one third in nominal value of the issued 'A' Shares. Should a quorum not be present within 30 minutes of the time appointed for the Meeting of 'A' Shareholders, that meeting shall stand adjourned to the same day in the next week at the same time and place. At that adjourned meeting one person holding 'A' Shares present in person or by proxy shall constitute a quorum and may demand a poll.
7. In the case of joint holders, the vote of the senior holder who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.
8. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided they do not do so in relation to the same shares. To be effective, any instruction appointing a corporate representative must be deposited at the registered office of the Company, The Brewery, 17 Court Street, Faversham, Kent, ME13 7AX not less than 48 hours before the Meeting of 'A' Shareholders.
9. The Notice of the Meeting together with other information for Shareholders as regards the Meeting of 'A' Shareholders will be displayed on the Company's web site www.shepherdname.co.uk/investor-relations/general-meetings.

NOTICE OF A SEPARATE GENERAL MEETING OF 'B' SHAREHOLDERS

SHEPHERD NEAME LIMITED

(Registered in England and Wales with no. 0138256)

NOTICE IS HEREBY GIVEN that a separate general meeting of the 'B' Shareholders will be held at The Brewery, 17 Court Street, Faversham, ME13 7AX at 12.20 p.m. on 5 June 2014 (or as soon thereafter as the Class Meeting of 'A' Shareholders to be held at 12.15 p.m. on 5 June 2014 shall have concluded or been adjourned) for the purpose of considering and, if thought fit, passing the following Resolution which shall be proposed as an extraordinary resolution. Capitalised terms used in this Notice shall have the same meaning as given to them in the section entitled 'Definitions' of the document of which this Notice forms part.

EXTRAORDINARY RESOLUTION

THAT this separate general meeting of 'B' Shareholders hereby sanctions the passing by the Company the Resolution set out in the Notice of General Meeting and the implementation of the Share Capital Reorganisation in accordance with the terms of such Resolution and such modifications, variations or abrogations of the special rights or privileges attached to the 'B' Shares as may be effected by or involved in such Resolution or the implementation of the Share Capital Reorganisation as a result thereof.

BY ORDER OF THE BOARD

R.N. Duncan
Company Secretary

Registered Office:

The Brewery
17 Court Street
Faversham
Kent
ME13 7AX

Date: 19 May 2014

Notes:

1. A member entitled to attend and vote at the Meeting of 'B' Shareholders convened by the above Notice is entitled to appoint a proxy to exercise all or any of the rights of the member to attend and speak and vote on his behalf. A proxy need not be a member of the Company but must attend the Meeting of 'B' Shareholders to represent you. A member may appoint more than one proxy in relation to the Meeting of 'B' Shareholders, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the Meeting of 'B' Shareholders in person, your proxy appointment will automatically be terminated.
2. To appoint a proxy you may use the blue Form of Proxy enclosed with this Notice of Meeting. To be valid, the blue Form of Proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of the same, must be received by post or (during normal business hours only) by hand at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY, in each case no later than 12.20 p.m. on 3 June 2014. Completion of the blue Form of Proxy will not prevent a member from attending and voting in person.
3. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded. Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol, BS99 6ZY or on 0870 707 1291. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
4. The quorum for the Meeting of 'B' Shareholders is a minimum of two persons holding or representing by proxy at least one third in nominal value of the issued 'B' Shares. Should a quorum not be present within 30 minutes of the time appointed for the Meeting of 'B' Shareholders, that meeting shall stand adjourned to the same day in the next week at the same time and place. At that adjourned meeting one person holding 'B' Shares present in person or by proxy shall constitute a quorum and may demand a poll.

5. In the case of joint holders, the vote of the senior holder who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.
6. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided they do not do so in relation to the same shares. To be effective, any instruction appointing a corporate representative must be deposited at the registered office of the Company, The Brewery, 17 Court Street, Faversham, Kent ME13 7AX not less than 48 hours before the Meeting of 'B' Shareholders.
7. The Notice of the Meeting together with other information for Shareholders as regards the Meeting of 'B' Shareholders will be displayed on the Company's web site www.shepherdname.co.uk/investor-relations/general-meetings.

