21 September 2016

SHEPHERD NEAME LIMITED
ANNOUNCEMENT OF FULL YEAR RESULTS

Shepherd Neame, Britain's Oldest Brewer, today announces results for the 52 weeks ended 25 June 2016.

Financial performance[1]:

- Record set of results and impressive progress against strategic objectives
- Turnover increased by +1.2% to £139.9m (2015: £138.2m)
- Underlying operating profit[2] up +3.5% at £14.2m (2015: £13.8m)
- Underlying profit before tax[3] up +10.7% to £10.3m (2015: £9.3m)
- Statutory profit before tax up +4.7% to £14.4m (2015: £13.7m)
- Basic earnings per ordinary share up +13.1% to 84.0p (2015: 74.3p) and underlying basic earnings per share up +12.3% to 54.7p (2015: 48.7p)
- Proposed final dividend per share up +3.0% to 22.05p (2015: 21.40p) making total dividends for the year of 27.50p (2015: 26.70p)

Operational highlights:

- Strong performance across our pub estate
  - Like-for-like managed pub and hotel sales up +4.4%, with liquor up +3.1%, food up +4.2% and accommodation up +11.7%
  - Like-for-like tenanted EBITDAR[4] up +2.7%
- Core own and licensed beer volumes (excluding contract brewing) up +0.3%: with excellent growth from the Whitstable Bay Collection
- Increased investment in our pubs to £7.3m (2015: £6.5m) and £2.2m (2015: £2.1m) in repairs and decorations

Current trading:

- In the 10 weeks to 3 September 2016 like-for-like managed sales are up +8.2% and like-for-like EBITDAR from Tenanted pubs to 27 August is up +2.2%
- Core own and licensed beer volumes (excluding contract brewing) to 3 September up +1.2%
- Acquisition of eight pubs from Enterprise Inns plc since the year end

Jonathan Neame, Chief Executive, commented:

"I am delighted to report a record set of results, with managed pubs our key driver of growth, and an impressive performance against our strategic objectives.

In recent years, we have worked hard to improve the quality of our pub estate and modernise our brand portfolio. We have created a much stronger business with sustainable cashflows and the skills and ambition for further growth.

We have made a good start to the new financial year, with a particularly strong performance from our coastal pubs."

[1] First set of results prepared under new accounting standard Financial Reporting Standard 102(FRS102)
[2] Profit before net finance costs, any profit or loss on the disposal of properties, investment property fair value movements and exceptional items
[3] Profit before any profit or loss on the disposal of properties, investment property fair value movements and exceptional items
[4] Earnings before interest, tax, depreciation, amortisation and rent payable

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

NOTES FOR EDITORS

Shepherd Neame is Britain's oldest brewer. Established in 1698 and based in Faversham, Kent it employs around 1,300 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 leading premium bottled ales in the UK with national distribution on draught (4.2% abv) and in bottle (4.5% abv). Spitfire Gold, a golden ale (4.1% abv), was launched to mark the 75th anniversary of the Battle of Britain and Spitfire Lager, the Lager of Britain (4.0% abv) has been launched in 2016.

- **Whitstable Bay**: This range, sold under the Faversham Steam Brewery brand, includes a Pale Ale on draught (3.9% abv) and in bottle (4% abv), an Organic Ale (4.5% abv), Blonde Lager (4.5% abv),Black Oyster Stout (4.2%) and Red IPA (4.5% abv).

- **Bishops Finger**: Connoisseur premium ale (5.4% abv).

- **Master Brew**: The 'Original Kentish Ale' is a well-hopped cask ale (3.7% abv).

The Company also brews lagers under license, including:

- **Asahi Super Dry**: Japan's number one beer (5% abv), which is produced under an exclusive UK license for brewing, sales and marketing.

- **Samuel Adams Boston Lager**: Leading US craft lager (4.8% abv) brewed under an exclusive license from the Boston Beer Company. The Company also imports Rebel IPA, a strong hopped US craft beer (6.5% abv) and Angry Orchard, America's No. 1 Hard Cider (5%).

Shepherd Neame sold 246,000 brewers' barrels of beer (71.0 million pints) including 211,000 brewers' barrels of own brewed beer (60.6 million pints) in the last year. The majority of these sales were made in the UK although the Company also exports to more than 35 countries.

At the year end, the Company operated 328 pubs, of which 267 were tenanted or leased, 7 were held as investment properties under commercial free of tie leases, and 54 managed. The pub estate ranges from inns and hotels to destination dining, great traditional and local community pubs.

Shepherd Neame's shares are traded on the ISDX Growth Market. See http://www.isdx.com/ for further information and the current share price.

For further information on the Company, see www.shepherdneame.co.uk.

CHAIRMAN'S STATEMENT

Overview

I am pleased to report another excellent year for the Company for the 52 weeks to 25 June 2016 with strong underlying growth.

The performance was characterised by good trading in our pub business and impressive growth in managed pubs' profits. This has driven strong operating cash flows which, together with exceptional proceeds from property disposals has created additional headroom to enable the business to grow further through pub acquisitions.

A key part of the strategy in recent years has been to modernise various aspects of the business, to drive operational excellence and update our brand and pub portfolio. I am delighted therefore to be able to introduce in this annual report the Company's new brand identity which has been developed in the last year.

Accounting Standards

This is our first full year report under the FRS 102 accounting standard, and as a consequence we have had to restate some prior year comparatives prepared under previous UK GAAP accounting rules.

There are four principal areas of change: the valuation of our assets; reporting by business segment and different accounting treatment for both lease commitments and for interest rate swaps. The specific impacts of these changes were set out in the transition document on 2 March 2016, which is available at www.shepherdneame.co.uk.

As part of this process, the Company has carried out a one-off revaluation of a significant proportion of its assets as at 28 June 2014 and incorporated this into our balance sheet. This has increased net assets and reduced balance sheet gearing. This revaluation was of the Company's trading licensed freehold assets only and excludes licensed leasehold assets and the brewery site. Assets that are held for rental income are valued separately as investment property at each reporting date**.**

Financial Performance

Turnover for the period increased by 1.2% to £139.9m (2015: £138.2m). Underlying operating profit grew by 3.5% to 14.2m (2015: £13.8m). Underlying profit before tax[1] grew by 10.7% to £10.3m (2015: £9.3m) and statutory profit before tax is up 4.7% to £14.4m (2015: £13.7m). Underlying basic earnings per share are up 12.3% to 54.7p (2015: 48.7p) and basic earnings per ordinary share are up 13.1% to 84.0p (2015: 74.3p).

Dividend

The Board is proposing a final dividend of 22.05p (2015: 21.40p), making the total dividend for the year 27.50p (2015: 26.70p), an increase of 3.0%. This represents underlying dividend cover of 2.0 times (2015: 1.8 times) which is in line with our stated policy following the share capital reorganisation of 2014. We will continue to target dividend cover at or above this level in the future. The final dividend will be paid on 14 October 2016 to shareholders on the register at the close of business on 7 October 2016.

Cash flow and Financing

Underlying EBITDA[2] was up 4.3% to £21.7m (2015: £20.8m). This helped fund capital expenditure in the core business of £10.7m (2015: £9.7m), the acquisition of three new pubs and an initial payment for the purchase of eight new pubs from Enterprise Inns plc. This acquisition of eight pubs was completed after the year end.

During the period we realised proceeds from property sales of £11.9m (2015: £3.2m) of which the principal was a one-off benefit from the sale of 10 acres of land remaining from the Company's farming business at Queen Court, outside Faversham. As a consequence of this disposal activity, year end net debt reduced by £8.7m to £60.1m giving headroom against our banking facilities of £19.9m plus a £5.0m overdraft.

[1] Profit before any profit or loss on the disposal of properties, investment property fair value movements and exceptional items.

[2] Underlying profit before tax pre net finance costs, depreciation, amortisation, profit or loss on sale of fixed assets excluding property and free trade loan discounts

Board of Directors
After more than 10 years of outstanding service to the Board, Oliver Barnes and James Leigh-Pemberton have both stepped down as Non-Executive Directors. We are delighted to welcome two new non-executives to the Board who both enjoy distinguished careers in their chosen fields and will bring additional expertise to the Board.

Hilary Riva, OBE, 59, joined the Board in April 2016. Hilary has enjoyed a successful career in fashion retailing with various senior roles in the Arcadia Group followed by her jointly leading the buyout of Principles, Hawkshead, Warehouse and Racing Green as Managing Director of Rubicon Retail. Following the sale of Rubicon, Hilary was CEO of the British Fashion Council from 2005 to 2009. She is a Non-Executive Director at Shaftesbury plc, and at ASOS plc, the largest online fashion retailer, amongst other roles.

Richard Oldfield, DL, 60, joined the Board in June 2016. Richard is executive chairman of Oldfield Partners LLP, an investment management firm managing listed equities funds. He is also a Director of Witan Investment Trust plc and a trustee of the Royal Marsden Cancer Charity and the Clore Duffield Foundation.

I would like to take this opportunity to thank James and Oliver for their very significant individual contributions to the business. They have helped to steer the Company through some challenging times for the industry over the past 10 years and played a big part in helping the Company to achieve the strong position we are in today.

Following these changes, Bill Brett has been appointed Chair of the Remuneration Committee and Richard Oldfield, Chair of the Audit Committee.

Government and Regulation
During the year the Small Business Enterprise and Employment Bill completed its passage through Parliament and the Statutory Code of Practice for large pub companies (more than 500 pubs) became law on 21 July 2016. The smaller pub companies (fewer than 500 pubs) including Shepherd Neame simultaneously introduced new Voluntary Codes of Practice that apply to all our tenanted and leased pubs.

As announced in 2015, the Government introduced the National Living Wage from April 2016. The additional cost incurred by the business in this financial year was £0.1m. Future increases are due on an annual basis between now and 2020. The annual cost impact of this and the Apprenticeship Levy is estimated to rise to £1.1m by 2020. We were, however, pleased that beer duty was held level in the Budget and that further cuts to corporation tax are anticipated.

Summary
This has been an excellent year for the Company. The continuous investment in our brands and significant improvement in the profile and quality of our pub estate in recent years has transformed the business.

The managed pub estate has been our principal engine for growth whilst our tenanted pubs and brewing and brands deliver strong cash generation.

Strong trading and operational cash flows, cash proceeds from disposals and refinancing, have all helped to put the Company in a good position to seek further growth opportunities through acquisition. We are delighted by the purchase of eight pubs since the year end and continue to pursue other opportunities.

We live in uncertain political and economic times and consumer confidence is very sensitive to changes in sentiment. The outcome of the EU Referendum in June 2016 presents a degree of legal and economic uncertainty whilst the Government negotiates the UK’s exit and we are mindful of the possibility of a slowdown in economic activity. Thus we retain a cautious approach at all times and focus on making the right investment decisions for the long term.

Finally I would like to pay tribute to the dedicated and highly talented staff who contribute so much to the success of the Company year after year and whose efforts we rely on greatly. I would also like to congratulate Chief Executive, Jonathan Neame on receiving the Publican's Morning Advertiser Outstanding Industry Contribution Award.

Miles Templeman
Chairman

CHIEF EXECUTIVE'S REVIEW

This has been another successful year for the Company. I am delighted to report a record set of results and impressive progress against our strategic objectives.

Over the last few years we have undertaken a series of initiatives to refine our strategy, modernise our processes and increase our investment to support the growth areas of the business. In particular we have transformed the overall profile of our pub estate by investing the proceeds of pub disposals to build a smaller, but high-quality and well-invested tenanted business, that is providing strong cash generation, and a managed business that has been our key driver for growth.

This has been achieved in a year when consumer demand to eat and drink out was impacted by long spells of wet and unseasonable weather and, in the second half of the year, concerns about the EU Referendum. Within our markets, when the conditions are right, such as at times of holidays or celebration, or fine and settled weather, trade has been very strong. The Rugby World Cup provided a modest benefit in October 2015 and we enjoyed strong trading over Christmas 2015. It is pleasing to note that to date since the EU referendum vote, we have not seen a reduction in consumer spend in our pubs.

Within our heartland, there has been increased economic activity with momentum in house building in areas of major development such as Ashford, the Medway Towns and Ebbsfleet Garden City.

In the UK beer market, volume recovered slightly in the year to June 2016 with growth of +1.2%[1] (2015: -2.4%) boosted by a strong final quarter. However, long-term trends continue to point to flat or slow decline in alcohol consumption, with a significant shift towards premium and craft products and increasing consumer demand for innovation in taste and flavour.

Within this overall market context we have made good progress towards our vision, which is to be a great British brewer and run the best pubs. At the same time, we have been developing a new brand identity for the business which we present for the first time in this report. The old logo has been in use for over 20 years and during that time the Company has changed substantially. Our beer range is more diverse and our pub portfolio appeals to a wider audience. We feel it is time, therefore, to introduce a more stylish and modern presentation of the Company logo across the business that articulates the real and original character of the business. We plan to roll out new signage across our pubs from the second half of the year and we will be upgrading to a more mobile friendly Company website in December.

1.Source: The British Beer & Pub Association (BBPA)

Tenanted and Managed Pub Operations
Overview

At the year end we operated 328 pubs and hotels (2015: 338) of which 285 are freehold (2015: 295). Of our total pubs 54 (2015: 52) were managed and 267 (2015: 280) were tenanted or leased and seven (2015: six) operated under commercial free of tie leases.

In the last five years we have actively addressed the changes in the market to reduce our exposure to small wet-led community pubs and to take the opportunities for growth in casual dining and accommodation. We have transformed our pub portfolio through progressive property management, and continue to pursue every opportunity to raise the average quality.

During this five year period, we have acquired 15 pubs and disposed of 46. This follows a similar period of activity in the previous five years. Since 2011, the average EBITDAR per tenanted pub has increased by 25.6% and per managed pub by 42.2%.

Our investment focus is to seek high quality, single-site acquisition opportunities within our heartland if they improve the overall business or reach new markets. We also pursue opportunities outside our historic trading area as evidenced by recent pub purchases. We are looking to acquire sites with unique character in landmark or high footfall locations with the potential for further development.

During the year we acquired three new outlets, of which two are operated as managed pubs: the Minnis Bay Bar and Restaurant and the Anchor, Hampstead Lock, Yalding. We have now secured planning permission to develop these sites and work will be carried out during the coming year. The third acquisition was the Coastguard in St. Margaret's Bay in January 2016, which opened after a transformational development in March and is operated as a tenanted pub.

These three acquisitions cost £3.3m (2015: two pubs and the freehold of an existing pub for £3.4m). We have raised gross proceeds of £11.9m (2015: £3.2m) from the disposal of 13 pubs (2015: 11 pubs) and seven unlicensed properties and land holdings (2015: one unlicensed property), of which the largest was the 10 acres of land at Queen Court, outside Faversham, sold for £7.4m.

Since the year end, we have acquired eight freehold pubs in Kent, Sussex and Surrey from Enterprise Inns plc that are operated under leases. These are all high-quality pubs and will benefit from further investment. The pubs are: the Chequer Inn in Steyning, West Sussex; the Crown and Anchor in Shoreham by Sea, West Sussex; Earls in Maidstone, Kent; the Farm House in West Malling, Kent; The Greyhound in Keston, Kent; Hen and Chickens in Bisley, Surrey; The Kings Head in Guildford, Surrey and The Sussex Oak in Warnham, West Sussex.

Also since the year end, the Company has acquired UES Ltd, a successful business owned and managed by Dan Sidders and Gareth Finney, who operated five of our existing pubs in Faversham and Canterbury under tenancy. All five of these pubs have transferred to the managed estate and a further pub, the Cock and Woolpack in Finch Lane, London EC3, has been transferred from tenancy.

The combined investment in these two acquisitions (both of which completed in July 2016) was £13.4m and as a result there will be an increase in net debt in 2017.

Pub Strategy
Our pub strategy is built around three strategic pillars:

• To drive footfall to our pubs

• To develop our offer to enhance the customer experience

• To attract, retain and develop the best people

Driving footfall to our Pubs
We aim to drive footfall by designing and developing unique pubs and hotels with a 'wow' factor.

In addition to the new pub acquisitions we have invested £7.3m (2015: £6.5m) in improving the look and feel of our pubs and £2.2m (2015: £2.1m) in repairs and decorations.

In the managed estate, major developments during the year have included a £1.2m redevelopment of the Ship & Trades in Chatham Maritime to create 15 stylish rooms and a superb restaurant overlooking the marina. In addition, a £0.7m extension to the restaurant at the Royal Albion in Broadstairs has added more restaurant covers with sea views. Initial trade in both outlets since re-opening has been strong.

In the tenanted estate, we have carried out major developments at a number of sites including the Poyntz Arms, East Molesey; the White Horse in Maldon; the William the Conqueror, Rye Harbour and the Adelaide, Teddington.

Developing our offer to enhance the customer experience
We aim to enhance the customer experience in our pubs by delivering great fresh food, providing accommodation of character, and offering an interesting range of products.

Our food continues to provide good growth in the business. In the managed estate, footfall from diners increased by +7.7% (2015: +9.6%) and spend per head by +3.9% (2015: +0.3%) to £11.96 (2015: £11.51).

We continue to develop initiatives to drive the quality of our menus and food presentation. With Dan and Gareth joining us following the acquisition of UES Ltd, we have strengthened the skills and resources in this area to serve a larger managed pub estate. We have upgraded till and back office systems to enable improved booking and table management at the Ship & Trades, Chatham Maritime as a pilot for a potential future roll-out.

During the year we have refurbished 39 bedrooms across the managed estate (2015: 68) and now offer a total of 283 rooms (2015: 279) presented to a very high standard. In the coming year we will add 11 rooms at the Ostrich in Colnbrook. Occupancy remained at the record high of 78% (2015: 78%) whilst RevPAR continued to grow by +8.6% (2015: +11.5%) to £63 (2015: £58).

Wine volume in our pubs has been good throughout the year. We have updated our popular Añuela and Mezzora ranges and expanded our supply of local quality English wines. Spirits too have seen a resurgence as we have introduced more premium, stylish and craft products. We have enhanced our range of premium mixers and local juices. All these actions strengthen the experience for those drinking or eating in our pubs.

Attracting, retaining and developing the best people
We aim to attract, retain and develop the best people, by understanding the potential in everyone, inspiring them to achieve their goals, and by building the loyalty and engagement of our licensees, through the professionalism of the support we provide.

In our managed estate we have appointed five head chefs to act as mentors, recruited an additional field trainer and further developed staff skills through e-learning. Our tenanted estate was fully let at the year end with new licensees being required for less than 6% of the total estate. Retention levels are rising as the quality of facility and level of support makes our tenanted offer increasingly commercially attractive.

I was particularly pleased that the Company scored strongly against a range of measures in an independent survey of pub companies. We were also finalists in the Publican Awards Best Tenanted and Leased Pub Company (201+ sites) and in the Best Food Offer (51+ sites).

The Shepherd Neame Pub Awards continue to recognise excellence in a variety of aspects and every year the standards reach higher levels. I would like to congratulate all this year's winners, in particular Lee Walker of the Britannia in Guildford who won the Pub of the Year Award and Robert and Donna Taylor at the Compasses in Crundale who won the Tenanted Pub of the Year and numerous national accolades. Particular mention should go to Steve and Phil Harris at the Sportsman at Seasalter who won the National Restaurant of the Year 2016 and Gastro Pub of the Year, a remarkable achievement.

Trading Performance
We have consistently pursued a strategy to invest in our pubs and this has resulted in a strong trading performance this year on the back of several years of sustained growth.

Total divisional turnover in the managed estate grew by +9.8% to £48.1m (2015: £43.8m) and divisional underlying operating profit grew by +13.7% to £7.6m (2015: £6.7m). Same outlet like-for-like sales grew by +4.4% (2015: +6.1%) with liquor +3.1% (2015: +4.3%), food +4.2% (2015: +7.0%) and accommodation +11.7% (2015: +13.8%). Average EBITDAR per managed pub grew by +1.0% (2015: +7.1%).

Total divisional turnover in the tenanted and leased estate grew by +0.3% to £33.5m (2015: £33.4m) on 13 fewer outlets. Divisional underlying operating profit was £12.6m (2015: £12.8m). Like-for-like EBITDAR per tenanted pub grew by +2.7% (2015: +2.4%). Average EBITDAR per tenanted pub grew by +6.4% (2015: +4.1%).

Brewing and Brands
Overview
The Brewing and Brands business absorbed the first full year costs of the water treatment plant and the final impact of the loss of the Kingfisher contract. After a disappointing first half, performance improved in the second half with some excellent distribution gains.

The UK beer market has seen significant changes in recent years as the growing demand for local products with wider taste and flavour profiles has led to a rapid expansion in the number of micro and craft brewers entering the market even though overall beer consumption is broadly flat. Shepherd Neame has responded well to this challenge and built an enviable portfolio of great beers such as Spitfire, Bishops Finger, the Whitstable Bay and Classic Collections.

Brewing and Brands Strategy
Our Brewing and Brands Strategy is built on two strategic pillars:

- To create demand and build awareness for our brands

- To attract, retain and develop the best people.

Creating demand and building awareness for our brands
We aim to create demand and build awareness for our brands by developing a range of distinctive beers, instilling a passion for quality and having great engagement with our customers.

Recent range developments have proved to be very successful. In particular, the Whitstable Bay Collection enjoyed excellent growth, with a strong performance from Whitstable Bay Blonde Lager. I am particularly pleased that our Whitstable Bay design and brand development has won a 2016 Brand Effectiveness Award.

The Spitfire brand has performed better in the last year but still experienced a modest decline. The portfolio has been significantly enhanced by the successful launch of Spitfire Gold in the early part of the year and Spitfire Lager, the Lager of Britain, towards the end.

Our Heritage beers have performed well again, in particular the Classic Collection brews such as Double Stout and IPA.

The licensed portfolio has continued to do well with accelerating growth from Samuel Adams Boston Lager as we have won some distribution gains in high-profile restaurant groups and another strong performance from Asahi Super Dry. Angry Orchard, America's No.1 Hard Cider, has made an encouraging start since launch.

Shepherd Neame has been brewing and selling Asahi Super Dry under licence in the UK for more than 10 years with an existing contract in place to the end of 2017. The proposed purchase of the Peroni, Grolsch and Meantime Brewing businesses by Asahi Group Holdings is subject to shareholder approval and we remain in discussions with Asahi over the future of our partnership.

The investment focus in the last year has been to modernise the Brewhouse. After more than 100 years, our wooden mash tuns have been replaced and we have embarked on a major refurbishment of the fabric of our historic brewery buildings. Simultaneously we have replaced the glycol system and upgraded our quality processes. All these initiatives will help drive ever higher standards of quality and consistency, and I am particularly pleased that since the year end we have won seven awards for our brewing and bottling quality.

Attracting, retaining and developing the best people
During the last year we have strengthened the brewing and laboratory management team. In addition, we have developed our management training and enhanced our programme to improve communication across the business and awareness of the Company's strategic aims and objectives. The annual Shepherd Neame Employee Awards help to focus and reward those that have achieved the standards we require. We have successfully raised the knowledge of brewing and beer styles across the Company through our Love Beer programme.

Trading Performance
Divisional turnover for the year was down -4.1% to £57.3m (2015: £59.7m), of which Kingfisher accounted for almost all of the decline. Total own brewed beer sold was down -6.2% (2015: -8.4%). Own beer volume excluding contract showed modest growth at +0.3% (2015: +0.1%). Divisional underlying operating profit was £1.5m (2015: £1.8m). Cash generation in this part of the business remained robust.

Current Trading
We have made a good start to the new financial year, with a particularly strong performance from our coastal pubs during the fine summer weather. Recent pub investments have performed well and our newly acquired outlets have been integrated into the business and are performing in line with expectation.

For the 10 weeks to 3 September 2016 like-for-like managed sales are up +8.2% (2015: +6.5%), like-for-like EBITDAR in the tenanted estate to 27 August is up +2.2% (2015: +1.8%). Total beer volume is up +1.1% (2015: -3.8%) with own beer volume excluding contract up +1.2% (2015: +8.6%).

Summary
We have ended the year with a strong financial performance, with opportunities to drive further growth in the business.

We have worked hard in recent years to improve the quality of our pub estate and modernise our brand portfolio. We have created a much stronger business with sustainable cash flows and the skills and ambition for further growth. The launch of our new brand identity will present some exciting opportunities to strengthen our engagement with consumers in the year ahead.

General political and economic uncertainty is likely to continue for the next few years as a consequence of the UK's exit from the European Union, but Shepherd Neame, with its strong UK focus, is well positioned to withstand the impact. We will continue to invest for the long term to deliver against our aims to be a great British brewer and to run the best pubs.

Jonathan Neame
Chief Executive

Profit and loss account

52 weeks ended 25 June 2016

	note	**52 weeks to 25 June 2016** Underlying results £'000	Items excluded from underlying results £'000	Total statutory £'000	52 weeks to 27 June 2015 Underlying results £'000	Items excluded from underlying results £'000	Total statutory £'000
Turnover	1,2	**139,890**	**–**	**139,890**	138,237	–	138,237
Operating charges	**3**	**(125,655)**	**(495)**	**(126,150)**	(124,479)	(63)	(124,542)
Operating profit	1	**14,235**	**(495)**	**13,740**	13,758	(63)	13,695
Net finance costs		**(3,898)**	**-**	**(3,898)**	(4,424)	-	(4,424)
Profit on disposal of property	3	**-**	**4,235**	**4,235**	-	354	354
Investment property fair value movements	**3**	**-**	**282**	**282**	-	4,086	4,086
Profit on ordinary activities before taxation		**10,337**	**4,022**	**14,359**	9,334	4,377	13,711
Taxation	4	**(2,254)**	**314**	**(1,940)**	(2,134)	(600)	(2,734)
Profit after taxation		**8,083**	**4,336**	**12,419**	7,200	3,777	10,977
Earnings per 50p ordinary share							
Basic	6			**84.0p**			74.3p
Underlying basic	6			**54.7p**			48.7p
Diluted	6			**83.4p**			73.8p

Statement of comprehensive income

52 weeks ended 25 June 2016

	note	**52 weeks ended 25 June 2016 £'000**	52 weeks ended 27 June 2015 £'000
Profit after taxation		**12,419**	10,977
Losses arising on cash flow hedges during the period		**(5,887)**	(2,263)
Tax relating to components of other comprehensive income	4	**1,521**	453
Other comprehensive losses		**(4,366)**	(1,810)
Total comprehensive income		**8,053**	9,167

Balance sheet
As at 25 June 2016

	25 June 2016 £'000	27 June 2015 £'000
Fixed assets		
Tangible fixed assets	**279,872**	279,247
Investments and loans	**333**	713
	280,205	279,960
Current assets		
Stocks	**6,580**	7,001
Debtors	**18,114**	16,103
Deferred tax asset due after one year	**4,409**	3,965
Cash	**90**	6,793
	29,193	33,862
Creditors: amounts falling due within one year		
Bank loans and overdrafts	**(727)**	(1,987)
Creditors	**(26,703)**	(24,156)
	(27,430)	(26,143)
Net current assets	**1,763**	7,719
Total assets less current liabilities	**281,968**	287,679
Creditors: amounts falling due after more than one year		
Bank loans	**(59,439)**	(73,592)
Derivative financial instruments	**(23,670)**	(17,783)
Deferred lease liability	**(1,831)**	(1,640)
Provision for liabilities	**(13,151)**	(14,838)
Net assets	**183,877**	179,826
Capital and reserves		
Called-up share capital	**7,429**	7,429
Share premium account	**1,099**	1,099
Revaluation reserve	**73,253**	72,430
Reserve for own shares held	**(915)**	(827)
Hedging reserve	**(19,288)**	(14,226)
Profit and loss account	**122,299**	113,921
Equity shareholders' funds	**183,877**	179,826

These accounts for Shepherd Neame Limited (Registered in England number 138256) were approved by the Board of Directors on 14 September 2016 and were signed on its behalf by:

Miles Templeman

Jonathan Neame

Directors

Statement of changes in equity

52 weeks ended 25 June 2016

	Share capital £'000	Share premium £'000	Revaluation reserve £'000	Own shares held £'000	Hedging reserve £'000	Profit and loss account £'000	Total £'000
Balance at 28 June 2014 as previously stated	**7,429**	**1,099**	**13,125**	**(908)**	**–**	**108,006**	**128,751**
Changes on transition to FRS102	–	–	60,167	–	(12,416)	(1,985)	45,766
Balance at 28 June 2014 as restated	**7,429**	**1,099**	**73,292**	**(908)**	**(12,416)**	**106,021**	**174,517**
Profit for the financial year	–	–	–	–	–	10,977	10,977
Losses arising on cash flow hedges during the year	–	–	–	–	(2,263)	–	(2,263)
Tax relating to components of other comprehensive income	–	–	–	–	453	–	453
Total comprehensive income	**–**	**–**	**–**	**–**	**(1,810)**	**10,977**	**9,167**
Ordinary dividends paid	–	–	–	–	–	(3,861)	(3,861)
Transfer of realised revaluation	–	–	(862)	–	–	862	–
Accrued share-based payments	–	–	–	–	–	425	425
Purchase of own shares	–	–	–	(465)	–	–	(465)
Distribution of own shares	–	–	–	405	–	(362)	43
Unconditionally vested share awards	–	–	–	141	–	(141)	–
Balance at 27 June 2015	**7,429**	**1,099**	**72,430**	**(827)**	**(14,226)**	**113,921**	**179,826**
Profit for the financial year	–	–	–	–	–	12,419	12,419
Losses arising on cash flow hedges during the year	–	–	–	–	(5,887)	–	(5,887)
Tax relating to components of other comprehensive income	–	–	696	–	825	–	1,521
Total comprehensive income	**–**	**–**	**696**	**–**	**(5,062)**	**12,419**	**8,053**
Ordinary dividends paid	–	–	–	–	–	(3,977)	(3,977)
Transfer of realised revaluation	–	–	127	–	–	(127)	–
Accrued share-based payments	–	–	–	–	–	528	528
Purchase of own shares	–	–	–	(584)	–	–	(584)
Distribution of own shares	–	–	–	359	–	(328)	31
Unconditionally vested share awards	–	–	–	137	–	(137)	–
Balance at 25 June 2016	**7,429**	**1,099**	**73,253**	**(915)**	**(19,288)**	**122,299**	**183,877**

Cash flow statement

52 weeks ended 25 June 2016

	£'000	52 weeks ended 25 June 2016 £'000	£'000	52 weeks ended 27 June 2015 £'000
Net cash flows from operating activities (see note 6a)		**20,293**		21,375
Cash flows from investing activities				
Proceeds of sale of tangible fixed assets	**11,893**		3,155	
Purchase of tangible fixed assets	**(15,391)**		(13,165)	
Additional loans to customers	**(21)**		(52)	
Customer loan redemptions	**245**		173	
Net cash flows from investing activities		**(3,274)**		(9,889)
Cash flows from financing activities				
Dividends paid	**(3,977)**		(3,861)	
Interest paid	**(3,904)**		(4,391)	
Repayment of long-term loan	**(16,000)**		(2,000)	
Issue costs of new long-term facility	**(313)**		-	
Purchase of own shares	**(287)**		(465)	
Share option proceeds	**32**		43	
Net cash flows from financing activities		**(24,449)**		(10,674)
Net (decrease)/increase in cash and cash equivalents		**(7,430)**		812
Cash and cash equivalents at beginning of the period		**6,793**		5,981
Cash and cash equivalents at end of the period		**(637)**		6,793

Notes to the accounts

25 June 2016

1 Segmental reporting
In adopting FRS 102, the operating segment disclosure requirements of IFRS 8 are required as the Company has publically traded equity instruments. The standard is applied retrospectively. The accounting policy for identifying segments is based on internal management reporting information that is regularly reviewed by the chief operating decision-maker.

The Company has three operating segments, which are largely organised and managed separately according to the nature of the products and services provided and the profile of the customers:

• Brewing and Brands which comprises the brewing, marketing and sales of beer, wine and spirits;

• Managed Pubs and Hotels which comprises managed pubs and managed hotels and;

• Tenanted and Leased Pubs which comprises pubs operated by third parties under tenancy or lease agreements.

Transfer prices between operating segments are set on an arm's length basis.

The measurement policies the Company uses for segment reporting under IFRS 8 are the same as those used in the financial statements.

52 weeks ended 25 June 2016	**Brewing and Brands £'000**	**Managed Pubs and Hotels £'000**	**Tenanted and Leased Pubs £'000**	**Unallocated £'000**	**Total £'000**
Turnover	**57,267**	**48,062**	**33,509**	**1,052**	**139,890**
Underlying operating profit	1,479	7,581	12,598	(7,423)	14,235
Exceptional items	–	–	(307)	(188)	(495)
Divisional operating profit	**1,479**	**7,581**	**12,291**	**(7,611)**	**13,740**
Net finance costs					**(3,898)**
Profit on disposal of property					**4,235**
Investment property fair value movements					**282**
Profit on ordinary activities before taxation					**14,359**
Other segment information					
Capital expenditure – tangible fixed assets	2,374	6,055	6,774	436	**15,639**
Depreciation	2,172	2,016	2,028	899	**7,115**
Underlying divisional EBITDA	3,880	9,677	14,642	(6,521)	**21,678**
Number of pubs	–	54	267	7	**328**

52 weeks ended 27 June 2015	Brewing and Brands £'000	Managed Pubs and Hotels £'000	Tenanted and Leased Pubs £'000	Unallocated £'000	**Total £'000**
Turnover	59,718	43,759	33,424	1,336	**138,237**
Underlying operating profit	1,823	6,665	12,751	(7,481)	13,758
Exceptional items	–	–	(63)	–	(63)
Divisional operating profit	1,823	6,665	12,688	(7,481)	**13,695**
Net finance costs					**(4,424)**
Profit on disposal of property					**354**
Investment property fair value movements					**4,086**
Profit on ordinary activities before taxation					**13,711**

52 weeks ended 27 June 2015	Brewing and Brands £'000	Managed Pubs and Hotels £'000	Tenanted and Leased Pubs £'000	Unallocated £'000	**Total £'000**
Other segment information					
Capital expenditure – tangible fixed assets	1,827	6,382	4,180	625	**13,014**
Depreciation	2,306	1,825	1,958	722	**6,811**
Underlying divisional EBITDA	4,368	8,464	14,709	(6,757)	**20,784**
Number of pubs	–	52	280	6	**338**

Geographical information

An analysis of the Company's turnover by geographical market is set out below:

	52 weeks ended 25 June 2016 £'000	52 weeks ended 27 June 2015 £'000
UK	**137,424**	134,966
Rest of the World	**2,466**	3,271
	139,890	138,237

2 Turnover

An analysis of the Company's turnover is as follows:

	52 weeks ended 25 June 2016 £'000	52 weeks ended 27 June 2015 £'000
Sale of goods and services	**131,253**	129,531
Rental income	**8,637**	8,706
	139,890	138,237

3 Non-GAAP reporting measures

Certain items recognised in reported profit or loss before tax can vary significantly from year to year and therefore create volatility in reported earnings which does not reflect the underlying performance of the Company. The Directors believe that the "underlying operating profit", "underlying profit before tax", "underlying basic earnings per share", "underlying earnings before interest, tax, depreciation, and amortisation" presented provide a clear and consistent presentation of the underlying performance of ongoing business for shareholders. Underlying profit is not defined by FRS 102 and therefore may not be directly comparable with the "adjusted" profit measures of other companies. The adjusted items are:

• Profit or loss on disposal of properties

• Investment property fair value movements

• Exceptional items – these are items which are either material or infrequent in nature and do not relate to the underlying performance.

	52 weeks ended 25 June 2016 £'000	52 weeks ended 27 June 2015 £'000
Underlying EBITDA	**21,678**	20,784
Depreciation	**(7,115)**	(6,811)
Free trade loan discounts	**(113)**	(136)
Loss on sale of assets (excluding property)	**(215)**	(79)
Underlying operating profit	**14,235**	13,758
Net finance costs	**(3,898)**	(4,424)
Underlying profit before tax	**10,337**	9,334
Profit on disposal of properties	**4,235**	354
Investment property fair value movements	**282**	4,086
Exceptional items	**(495)**	(63)
Profit on ordinary activities before taxation	**14,359**	13,711

Exceptional items of £495,000 for the 52 weeks ended 25 June 2016 comprised an impairment charge of £307,000, legal and professional fees of £71,000 for the Consumer Credit Authorisation application, required by the Financial Conduct Authority; and £117,000 for the professional fees related to the transition for reporting under FRS 102. The charge of £63,000 for the 52 weeks ended 27 June 2015 relates to impairment of tangible fixed assets.

4 Taxation

a Tax on profit on ordinary activities

Tax charged to profit and loss	**52 weeks ended 25 June 2016 £'000**	52 weeks ended 27 June 2015 £'000
Current tax		
UK Corporation tax at 20.0% (2015: 20.75%)	**2,573**	2,270
Prior year under/(over) provision	**25**	(19)
Total current tax	**2,598**	2,251
Deferred tax		
Origination and reversal of timing differences	**40**	493
Effect of reduction in the rate of corporation tax	**(698)**	–
Adjustments in respect of prior years	–	(10)
Total deferred tax	**(658)**	483
Total tax charged to profit and loss	**1,940**	2,734

Tax charged to other comprehensive income		
Deferred tax		
Losses arising on cash flow hedges in the period	**(1,177)**	(453)
Effect of reduction in the rate of corporation tax	**(344)**	–
Total tax charged to other comprehensive income	**(1,521)**	(453)

b Reconciliation of the total tax charge

	52 weeks ended 25 June 2016 £'000	52 weeks ended 27 June 2015 £'000
Profit on ordinary activities before tax	**14,359**	13,711
UK corporation tax at average statutory rate 20.0% (2015: 20.75%)	**2,872**	2,845
Expenses not deductible for tax purposes	**7**	68
Profit on sale of property less chargeable gains	**(266)**	(150)
Effect of reduction in the rate of corporation tax	**(698)**	–
Prior year under/(over) provision	**25**	(29)
Total tax charge to profit and loss	**1,940**	2,734

c Factors that may affect future tax charges

During the period the Finance Act 2015 received Royal Assent. The main impact was the reduction of the UK Corporation tax rate from 20% to 19% (effective from 1 April 2017) and 18% (effective from 1 April 2020). To the extent that these rate changes will affect the amount of future tax cash tax payments to be made by the Company, this will reduce the size of both the Company's deferred tax liability and tax asset. The impact in the 52 weeks to 25 June 2016 was an exceptional credit to profit and loss of £698,000 and a credit to other comprehensive income of £344,000. A further reduction in the UK corporation tax rate from 1 April 2020 to 17% has been announced but has not yet been substantively enacted.

During the 52 weeks beginning 26 June 2016, the net reduction of deferred tax liabilities expected to be credited to the profit and loss account is estimated at £500,000 due to the reversal of accelerated capital allowances and reduction in the deferred tax liability on the revaluation of freehold pubs.

There is no expiry date on timing differences.

5 Dividends

	52 weeks ended 25 June 2016 £'000	52 weeks ended 27 June 2015 £'000
Declared and paid during the year		
Final dividend for 2015: 21.4p (2014: 20.75p) per ordinary share	**3,168**	3,074
Interim dividend for 2016: 5.45p (2015: 5.30p) per ordinary share	**809**	787
Dividends paid	**3,977**	3,861

The Directors propose a final dividend of 22.05p (2015: 21.40p) per 50p ordinary share totalling £3,269,000 (2015: £3,168,000) for the year ended 25 June 2016. The dividend is subject to approval by the shareholders at the Annual General Meeting, to be held on 14 October 2016 and has not been included as a liability in these financial statements, as it has not yet been approved or paid.

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.

6 Earnings per share

	52 weeks ended 25 June 2016 £'000	52 weeks ended 27 June 2015 £'000
Profit attributable to equity shareholders	**12,419**	10,977
Items excluded from underlying results	**(4,336)**	(3,777)
Underlying earnings attributable to equity shareholders	**8,083**	7,200

	Number	Number
Weighted average number of shares in issue	**14,779**	14,770
Dilutive outstanding options	**113**	113
Diluted weighted average share capital	**14,892**	14,883
Basic	**84.0p**	74.3p
Underlying basic	**54.7p**	48.7p
Diluted	**83.4p**	73.8p

The earnings per share calculation is based on earnings from continuing operations and on the weighted average ordinary share capital which excludes shares held by trusts in respect of employee incentive plans and options.

6 Notes to the cash flow statement

a Reconciliation of operating profit to cash generated by operations

	52 weeks ended 25 June 2016			52 weeks ended 27 June 2015		
	Underlying results £'000	**Excluded from underlying results £'000**	**Total £'000**	Underlying results £'000	Excluded from underlying results £'000	Total £'000
Operating profit	**14,235**	**(495)**	**13,740**	13,758	(63)	13,695
Adjustment for:						
Depreciation and amortisation	**7,115**	**–**	**7,115**	6,811	–	6,811
Impairment provision	**–**	**307**	**307**	–	63	63
Charge for share-based payments credited to reserves	**528**	**–**	**528**	425	–	425
Decrease/(increase) in stocks	**421**	**–**	**421**	(584)	–	(584)
(Increase)/decrease in debtors and prepayments	**(1,978)**	**–**	**(1,978)**	2,083	–	2,083
Increase/(decrease) in creditors and accruals	**2,131**	**–**	**2,131**	1,548	(597)	951
Free trade loan discounts	**113**	**–**	**113**	136	–	136
Loss on sale of assets (excluding property)	**215**	**–**	**215**	79	–	79
Interest received	**14**	**–**	**14**	13	–	13
Income tax paid	**(2,313)**	**–**	**(2,313)**	(2,297)	–	(2,297)
Net cash inflow/(outflow) from operating activities	**20,481**	**(188)**	**20,293**	21,972	(597)	21,375

b Analysis of net debt

	2015 £'000	Cash flow £'000	Repayment of long-term loan £'000	Issue costs of new loan £'000	Amortisation of issue costs £'000	**2016 £'000**
Cash	6,793	(6,703)	–	–	–	**90**
Bank overdraft	–	(727)	–	–	–	**(727)**
Cash and cash equivalents	6,793	(7,430)	–	–	–	**(637)**
Debt due within one year	(1,987)	–	2,000	–	(13)	**–**
	4,806	(7,430)	2,000	–	(13)	**(637)**
Debt due after more than one year	(73,592)	–	14,000	313	(160)	**(59,439)**
Total	(68,786)	(7,430)	16,000	313	(173)	**(60,076)**

7 Accounts

The financial information set out above does not constitute the Company's statutory accounts for the 52 weeks ended 25 June 2016 or 52 weeks ended 27 June 2015 but is derived from those accounts. Statutory accounts for 2015 have been delivered to the Registrar of Companies and those for 2016 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.