

# SHEPHERD NEAME LIMITED

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## REPORT AND ACCOUNTS FOR 1990

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# SHEPHERD NEAME LIMITED

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## NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Seventy-Sixth Annual General Meeting of the Company will be held at 10 Court Street, Faversham, on Friday 26th October 1990 at 12 noon for the following purposes:

- Resolution 1. To receive and adopt the Annual Statement of Accounts and Balance Sheet and the Reports of the Directors and Auditors thereon.
- Resolution 2. To declare a Final Dividend upon the "A" and "B" Ordinary shares.
- Resolution 3. To re-elect a Director.
- Resolution 4. To re-appoint the Auditors and authorise the Directors to fix their remuneration.

By Order of the Board  
B. J. CORK  
*Secretary*

17 COURT STREET  
FAVERSHAM  
KENT  
1st October 1990

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

# **SHEPHERD NEAME LIMITED**

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## **DIRECTORS**

Chairman	R. H. B. NEAME
Vice-Chairman	S. F. B. NEAME
Non-Executive	M. B. BUNTING E. R. JOHNSTON E. M. S. RUDGARD

## **SECRETARY**

B. J. CORK

## **TECHNICAL DIRECTORS**

Finance	B. I. BALLARD
Tenanted Trade	G. H. A. BARNES
Retail	P. H. D. HARE-SCOTT
Production	J. S. WITHEY

## **REGISTERED OFFICE**

17 Court Street, Faversham, Kent ME13 7AX

## **AUDITORS**

Ernst & Young  
Becket House, 1 Lambeth Palace Road, London SE1 7EU

## **BANKERS**

National Westminster Bank PLC  
13 Market Place, Faversham, Kent ME13 7AF

## **STOCKBROKERS**

Panmure Gordon and Co Limited  
9 Moorfields High Walk, London EC2Y 9DS

# SHEPHERD NEAME LIMITED

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## CHAIRMAN'S REPORT

### The Year's Results

The past year has shown continued growth of the Company with turnover increasing by 12.9% and profit before finance charges increasing by 11.0%. Interest rates and the cost of finance were considerably higher than the previous year, and it was not possible to complete any sales within our planned property disposal programme. Profit after finance charges and Employees' share scheme allocation nevertheless reached a new record of £3.607m. Taking all these factors into account, the Directors are recommending a final dividend of 10% making a total for the year of 13%, an increase of 13% over last year's appropriation.

### Company Structure

In order to focus on the various opportunities that could arise following the implementation of the recommendations of the MMC's Report, it was decided to re-organise the Company into four Divisions from 1st January, 1990 with a Technical Director responsible for each Division.

The Retail Division headed by Mr. P. H. D. Hare-Scott is responsible for some 70 managed houses including Invicta Country Inns. The Tenanted Property Division is headed by Mr. G. H. A. Barnes, who was appointed a Technical Director from 1st January, and is responsible for all property management of our 200 tenancies. The Brewing Division, headed by Mr. J. Withey, is responsible for production, distribution and warehousing; and the Wholesaling Division is responsible for the Free Trade On Sales, Take-Home Off-Sales, Wines and Spirits and Customer Services. We have not yet appointed a Technical Director to head the Wholesaling Division and during the interim period this has been headed by Mr. B. McCarthy in a consultancy capacity. The new structure will allow the Main Board to concentrate on strategy.

### Retail

We have now established over 70 houses that will remain permanently under management with a further 10/15 being held under temporary management or pending sale.

During the year we took under management the White Horse, Boughton and Woolpack, Chilham which, together with the developments at the Crown, Sarre and Abbey Hotel, Battle, have given us a firm base for developing the Invicta Country Inn brand in its own right.

Now that the position has been clarified in respect of the Landlord and Tenant Act, a number of the smaller managed houses will be returned to tenancy during the coming year.

In view of the increase in interest rates we have now changed the investment emphasis from major hotel developments to a larger number of smaller developments within the managed houses base.

Mr. Hare-Scott will have reporting to him Managed Houses Area Managers who will have specific responsibility for hotels and inns; pub catering and restaurants; and traditional houses. This re-organisation should accelerate the contribution to profit from the Managed Houses.

### Tenanted Estate

We continue to develop our tenanted estate and have viewed a considerable number of other brewers' houses that have been on the market for sale. We have recently negotiated the purchase of 33 houses from Allied which will strengthen our position in parts of Kent where we are not well represented, in particular in the southern M25 corridor. It is our intention to fund part of this purchase by continuing our programme of property sales.

Beer volume has remained at the same level as last year supported by considerable growth in wines, spirits and minerals.

### Wholesaling

The free on-sales market continues to be extremely competitive as the national brewers vie with each other for market share through substantial discounting and capital investment in freehouses and clubs. Our traditional free trade showed a small decline in volumes mainly due to the decision of a major multiple to discontinue their agreement with Hurlimann.

This loss has been more than offset by the continuing increase in our take-home trade and the introduction of Bishops Finger and Kingfisher lager in can. In particular canned Hurlimann lager has shown substantial growth and this reflects the quality and growing reputation of the product in London and the South East. One or more of our products is now represented in most of the major chains of supermarkets, cash and carries and national off-licence chains.

## SHEPHERD NEAME LIMITED

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We have also seen increases in the sales of Draught Guinness, Beamish and Taunton Cider. The most substantial growth is in sales of our wines and spirits which have shown an overall volume increase of over 6%.

During the year we have increased Hartridge's minerals for the tied and free trade. This has proved particularly successful in opening up accounts with national brewers' tenants and our overall mineral trade has increased substantially during the year.

The introduction of guest beers from 1st May has not had a major impact on our sales and to date very few national brewers' tenants are taking a guest beer other than one of those products stocked by their national brewer. Both Courage and Bass are stocking our Master Brew Bitter for distribution in their tied estates throughout Kent.

During the year a joint company with United Breweries of India was formed to market and distribute Kingfisher lager in the UK, Western Europe, Canada and the USA. This has proved very successful and continues to grow in volume.

### Brewery Production

We have continued to invest in brewery plant to improve the quality of our products and contain cost increases below inflation. Major projects commissioned this year include upgrades to the beer filtration and processing plant to make it one of the most advanced in the country.

With the potential increase in trade arising through the purchase of the new Allied houses and the development of our canned trade and Kingfisher lager, we have had to review our small packaging and warehousing facilities. We expect to have to make a substantial capital investment to improve these in the near future providing we are able to increase the area of land available for enlarging the facilities.

### The Future

The long-term impact of the implementation of the MMC Report on the Brewing Industry is still uncertain. There will be opportunities for regional brewers to purchase national brewers' tenancies, but whether this will be a viable proposition with high interest rates will depend on the policy adopted by individual brewing companies. We believe that the future for Shepherd Neame must be to develop the Company around its present range of skills which in particular relate to the professional management of its tied estate, wholesaling, and the brewing of distinctive quality beers. We do not believe that major diversification would be in the best interests of the Company, but that growth must come from increasing our market share within our trading area. It is for this reason that we will continue to purchase other brewers' houses provided they complement our existing estate and give us proper representation within a trading area that can be supplied direct from the Brewery. There must also be a question as to the long term future of the small back street or isolated country public house and we would not disagree with the view that by the year 2000 there could be 10/15% fewer public houses.

We are of the opinion that retailing will continue to develop around the concept of branding of outlets. In this respect we believe that the Invicta Country Inns concept has considerable scope for expansion in the long term in view of its geographical position in relationship to Northwest Europe. Over the past two/three years we have substantially increased our advertising expenditure on our beer brands and, whilst this has had some impact, it is now necessary for us to concentrate on updating and projecting a new corporate image for the Company.

Last year I advised that Sir Leon Brittan had announced that the EEC proposed to investigate the European Brewing Industry. I am pleased to say that it appears that there are unlikely to be any further changes required to the British Brewing Industry in the near future. However, further changes may result from the outcome of the MMC investigation into the proposed Grand Metropolitan/Elders IXL transaction, and the MMC's review of the national brewers in 1992.

Sir Leon Brittan has also carried out a further review of the Fifth Company Law Directive. We have investigated the impact of the draft proposals and are pleased to report that as a private company these will not create the difficulties that may be faced by public companies having a two-tiered voting structure for their shares.

Our employees have responded to the challenges of the tremendous changes that the Brewing Industry is undergoing. Their loyalty and enthusiasm will allow us to develop the many exciting prospects that lie ahead, and we can all look forward with confidence to maximising the opportunities arising in the 1990s. I would like to thank all of them for their magnificent support in meeting the substantial workload over the past year.

ROBERT H. B. NEAME

# **SHEPHERD NEAME LIMITED**

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## **REPORT OF THE DIRECTORS**

The Directors have pleasure in presenting their SEVENTY-SIXTH ANNUAL REPORT and accounts for the year ended 30th June 1990.

### **Activities and Review of Business**

The principal activities of the group are the brewing, packaging, wholesaling and retailing of beer, cider, wines, spirits and minerals, property ownership and public house and hotel management. The Chairman's Report gives a full review of the group's business for the year ended 30th June 1990.

### **Dividends**

The directors recommend the payment of a final dividend of 10.0% (1989—8.75%) on the "A" and "B" ordinary shares amounting to £609,000 (1989—£531,000) making a total for the year of 13.0%, £792,000 (1989—11.5%, £698,000), and leaving retained profits of £1,615,000 (1989—£3,080,000).

### **Profit Sharing Scheme**

An allocation of £75,000 (1989—£70,000) has been made out of profits of the year which will be used by the Trustees in acquiring £1 "A" ordinary shares to be held in Trust on behalf of employees.

### **Properties**

The freehold and long leasehold licensed and associated properties of the company were revalued individually at open market value on an existing use basis as at 30th June 1987 by the company's own professionally qualified staff. These valuations were incorporated in the accounts at 30th June 1987, and subsequent additions have been included at cost. The brewery premises remain in the accounts at historical cost. Despite the current state of the property market the directors are of the opinion that the overall value of the estate remains in excess of the 1987 valuation. It is their intention to revalue the estate periodically and at those times to incorporate those values in the balance sheet.

### **Directorate**

Mr. E. R. Johnston retires from the Board by rotation and offers himself for re-election.

The names of the directors are set out in Note 24 to the Accounts together with particulars of their interests in the company's shares.

# SHEPHERD NEAME LIMITED

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## Employees

It is the group's policy to give full consideration to suitable applications for employment by disabled persons. Opportunities also exist for employees of the group who become disabled to continue in their employment or to be trained for other positions in the group's employment.

The group provides employees with a summary of the financial position of the group and is continually aiming to provide them with information on matters of concern to them as employees.

## Charitable and Political Contributions

In the year the group donated £100 to the Conservative Party, and £4,030 for charitable purposes.

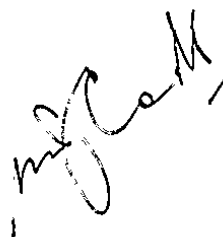
## Auditors

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

## Stockbrokers

Panmure Gordon and Co Ltd are the company's stockbrokers. The shares of the company are traded on the Stock Exchange under Rule 535 (2).

17 COURT STREET  
FAVERSHAM  
KENT  
18th September 1990



By Order of the Board  
B. J. CORK  
*Secretary*

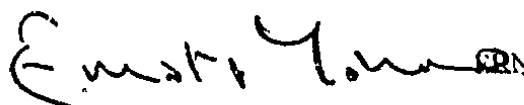
# SHEPHERD NEAME LIMITED

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## REPORT OF THE AUDITORS TO THE MEMBERS OF SHEPHERD NEAME LIMITED

We have audited the accounts set out on pages 9 to 19 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group at 30th June 1990 and of the profit and source and application of funds of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

 ERNST & YOUNG  
Chartered Accountants

Becket House  
1 Lambeth Palace Road  
London SE1 7EU  
18th September 1990



# SHEPHERD NEAME LIMITED

## GROUP PROFIT AND LOSS ACCOUNT FOR THE 52 WEEKS ENDED 30th JUNE 1990

	Note	1990 £'000	1989 £'000
Turnover .....	1	26,670	23,620
Operating charges .....	2	<u>(22,127)</u>	<u>(19,508)</u>
Operating Profit .....		4,543	4,112
Finance charges .....	3	<u>(956)</u>	<u>(567)</u>
		3,587	3,545
Share of Profits of Associated Company .....	12(a)	<u>20</u>	<u>—</u>
Profit on Ordinary Activities before Taxation .....		3,607	3,545
Taxation .....	4	<u>(1,200)</u>	<u>(1,250)</u>
Profit before Extraordinary item .....		2,407	2,295
Extraordinary item .....	5	<u>—</u>	<u>1,483</u>
Profit earned for Shareholders .....		2,407	3,778
Dividends .....	6	<u>(792)</u>	<u>(698)</u>
Retained Profit for the Year .....	23	<u>1,615</u>	<u>3,080</u>

Movements on reserves are set out in notes 21 to 23.

# SHEPHERD NEAME LIMITED

## BALANCE SHEETS — 30th JUNE 1990

	Note	GROUP		COMPANY	
		1990 £'000	1989 £'000	1990 £'000	1989 £'000
<b>Fixed Assets</b>					
Tangible assets .....	10	58,301	55,568	58,301	55,568
Investments and loans .....	12	628	531	608	531
		<u>58,929</u>	<u>56,099</u>	<u>58,909</u>	<u>56,099</u>
<b>Current Assets</b>					
Stocks .....	13	2,974	2,348	2,974	2,348
Debtors .....	14	3,840	3,448	3,840	3,448
Cash .....		30	25	30	25
		<u>6,844</u>	<u>5,821</u>	<u>6,844</u>	<u>5,821</u>
<b>Creditors: amounts falling due within one year</b>					
Bank borrowing .....		5,153	3,448	5,153	3,448
Other creditors .....	15	7,398	5,714	7,398	5,714
		<u>12,551</u>	<u>9,162</u>	<u>12,551</u>	<u>9,162</u>
<b>Net Current Liabilities</b> .....		<u>5,707</u>	<u>3,341</u>	<u>5,707</u>	<u>3,341</u>
<b>Total Assets less Current Liabilities</b> .....		<u>53,222</u>	<u>52,758</u>	<u>53,202</u>	<u>52,758</u>
<b>Creditors: amounts falling due after more than one year</b>					
Corporation tax .....		—	1,023	—	1,023
Bank borrowing .....	16(a)	2,437	2,625	2,437	2,625
Other creditors .....	16(b)	61	73	61	73
		<u>2,498</u>	<u>3,721</u>	<u>2,498</u>	<u>3,721</u>
<b>Provisions for Liabilities and Charges</b> .....	19	<u>47</u>	<u>73</u>	<u>47</u>	<u>73</u>
		<u>2,545</u>	<u>3,794</u>	<u>2,545</u>	<u>3,794</u>
		<u>50,677</u>	<u>48,964</u>	<u>50,657</u>	<u>48,964</u>
<b>Capital and Reserves</b>					
Called up share capital .....	20	6,093	6,070	6,093	6,070
Share premium account .....	21	257	166	257	166
Revaluation reserve .....	22	29,311	29,311	29,311	29,311
Profit and loss account .....	23	15,016	13,417	14,996	13,417
		<u>50,677</u>	<u>48,964</u>	<u>50,657</u>	<u>48,964</u>

ROBERT H. B. NEAME }  
STUART F. B. NEAME }  
18th September 1990

Directors

*Robert H. B. Neame*  
*S. F. B. Neame*

# SHEPHERD NEAME LIMITED

## GROUP SOURCE AND APPLICATION OF FUNDS FOR THE 52 WEEKS ENDED 30th JUNE 1990

	1990	1989
	£'000	£'000
<b>Source of Funds</b>		
<b>Funds Generated from Trading</b>		
Profit on ordinary activities before taxation .....	3,507	3,545
Profit of associated company .....	(20)	—
Depreciation .....	1,252	1,100
	<u>4,839</u>	<u>4,645</u>
<b>Funds Generated from Other Sources</b>		
Repayments from customers .....	118	198
Sale proceeds of tangible assets .....	51	1,694
Issue of shares .....	114	145
	<u>5,122</u>	<u>6,682</u>
<b>Application of Funds</b>		
Additions to tangible assets .....	4,036	7,297
Purchased goodwill .....	16	—
Investment in associated company .....	50	—
Loans to customers .....	145	161
Bank loan repaid .....	188	187
Tax paid .....	887	1,011
Dividends paid .....	714	619
	<u>6,036</u>	<u>9,275</u>
<b>Movement in Working Capital</b>		
Increase in stocks .....	626	174
Increase in debtors .....	392	542
Increase in creditors .....	(232)	(49)
	<u>786</u>	<u>667</u>
<b>Movement in Liquid Funds</b>		
Increase in bank borrowing .....	(1,705)	(3,271)
Increase in cash .....	5	11
	<u>(1,700)</u>	<u>(3,260)</u>
	<u>5,122</u>	<u>6,682</u>

# SHEPHERD NEAME LIMITED

## ACCOUNTING POLICIES

### (a) Accounting Convention

The accounts are prepared under the historical cost convention modified by the revaluation of freehold licensed and associated properties.

### (b) Basis of Consolidation

The consolidated accounts incorporate the accounts of the company and its subsidiaries and associated company for the year ended 30th June. Accounts are made up to the nearest Saturday to 30th June.

The results of the associated company, which has its statutory accounts made up to 31st December each year, are consolidated based on its latest statutory accounts and management information from that date.

### (c) Tangible Assets

The freehold licensed and associated properties, excluding brewery premises, are included at open market value on an existing use basis as at 30th June 1987, together with additions since that date at cost. Brewery premises and all other fixed assets are shown at cost less accumulated depreciation. The cost of finance during major developments is capitalised.

### (d) Depreciation

Depreciation is provided on brewery freehold buildings. Other freehold buildings and land are not depreciated. It is the Group's policy to keep licensed properties in such a state of repair that the trade is protected and the aggregate residual value of premises is maintained at not less than book value, such expenditure being charged to profits. Having regard to this policy any element of depreciation of these premises would, in the opinion of the directors, be immaterial.

Short leaseholds are amortised over the terms of the leases; other fixed assets are depreciated at varying rates based upon their expected useful lives.

The valuation or cost of the main categories of assets, other than non-brewery freehold properties, is written off by equal annual instalments commencing from the date that the assets are brought into use, as follows:

Brewery buildings .....	25 to 30 years
Plant .....	5 to 13 years
Vehicles .....	5 to 7 years
Fixtures .....	5 to 10 years
Containers .....	6 to 10 years

### (e) Stocks

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

### (f) Deferred Taxation

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

### (g) Repairs to Properties

The charge in the accounts includes provision for the estimated cost of completing all work which had commenced before the year end, and was planned to be completed within three months of commencing the work. The estimated charge in respect of major projects expected to exceed three months' duration are apportioned on a time basis over the period of the work. Repair work found to be necessary during the completion of major alterations is capitalised.

### (h) Pension Benefits

Pension benefits for certain employees are provided by a company scheme and are funded over the employees' periods of service. The scheme provides defined benefits to members.

### (i) Property Disposals

Surpluses and deficiencies on property disposals are shown by reference to the historical cost net of the relevant taxation and are dealt with as extraordinary items in the profit and loss account, and not regarded as part of the profit on ordinary operating activities.

### (j) Purchased Goodwill

Purchased goodwill is written off directly against retained profits.

# SHEPHERD NEAME LIMITED

## NOTES TO THE ACCOUNTS — 30th JUNE 1990

### 1. Turnover

Turnover comprises sales, rents received and services rendered from the trading activities of the Group, excluding value added tax. The export sales during the year were £91,000 (1989 — £265,000). Most of these exports are Kingfisher Lager, and since Autumn 1989 these have been made through the associated company UBSN Limited.

### 2. Operating Charges

	1990	1989
	£'000	£'000
Raw materials, duty and consumables .....	6,866	6,308
Increase in stocks of finished goods and beer in process .....	(368)	188
Employee costs: Wages and salaries .....	4,031	3,379
Social security costs .....	421	341
Pension costs .....	186	147
Auditors' remuneration .....	38	36
Depreciation of tangible fixed assets .....	1,252	1,100
Property repairs .....	994	988
Income from fixed asset investments .....	(24)	16
Employee share incentive scheme .....	75	70
Other operating charges .....	8,656	7,343
	<u>22,127</u>	<u>19,508</u>

The analysis of operating charges has been revised in 1990. 1989 figures have been re-analysed on a similar basis.

### 3. Finance Charges

	1990	1989
	£'000	£'000
Bank borrowing .....	904	532
Other .....	52	35
	<u>956</u>	<u>567</u>

### 4. Taxation

	1990	1989
	£'000	£'000
The charge based on the profits on ordinary activities for the year represents UK Corporation tax at 35% (1989 — 35%) .....	<u>1,200</u>	<u>1,250</u>

### 5. Extraordinary Item

	1990	1989
	£'000	£'000
Surplus on disposal of properties .....	<u>—</u>	<u>1,483</u>

### 6. Dividends

	1990	1989
	£'000	£'000
"A" and "B" Ordinary Shares		
Interim paid 3.0% (1989 — 2.75%) .....	183	167
Final proposed 10.0% (1989 — 8.75%) .....	609	531
	<u>792</u>	<u>698</u>

# SHEPHERD NEAME LIMITED

## NOTES TO THE ACCOUNTS — 30th JUNE 1990

### 7. Profit and Loss Account

In accordance with the exemption allowed by section 228(7) of the Companies Act 1985, the company has not presented its own profit and loss account. The profit for the financial year dealt with in the accounts of the company was £2,387,000 (1989 — £3,725,000).

### 8. Directors' Remuneration

	1990 £'000	1989 £'000
Directors' Emoluments		
Fees .....	—	10
Remuneration including pension contributions .....	197	169
Pensions to past directors or their widows .....	20	20
	<u>217</u>	<u>199</u>

Emoluments, excluding pension contributions of the directors of the company were as follows:

Chairman, who was also the highest paid director .....	<u>£64,687</u>	<u>£57,407</u>
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#### Other directors in scale:

	Number of Directors	
Between £5,001 and £10,000 .....	2	2
Between £10,001 and £15,000 .....	1	1
Between £50,001 and £55,000 .....	—	1
Between £60,001 and £65,000 .....	1	—

### 9. Employees

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

	1990	1989
Brewery .....	204	200
Retailing .....	523	428
	<u>727</u>	<u>628</u>

#### Employees with emoluments over £30,000:

	Number of Employees	
	1990	1989
£30,000 to £35,000 .....	3	3

# SHEPHERD NEAME LIMITED

## NOTES TO THE ACCOUNTS — 30th JUNE 1990

### 10. Tangible Assets — Group and Parent Company

	Freehold Properties £'000	Leasehold Properties under 50 years £'000	Plant Vehicles and Containers £'000	Fixtures and Fittings £'000	Total £'000
Valuation or cost at 1st July 1989 ....	48,868	11	6,757	6,706	62,342
Additions .....	1,527	—	663	1,846	4,036
Disposals .....	—	—	(119)	(80)	(199)
Valuation or cost at 30th June 1990 ...	<u>50,395</u>	<u>11</u>	<u>7,301</u>	<u>8,472</u>	<u>66,179</u>
<b>Accumulated depreciation:</b>					
At 1st July 1989 .....	155	2	3,844	2,773	6,774
Charge for year .....	24	—	572	656	1,252
On disposals .....	—	—	(82)	(66)	(148)
At 30th June 1990 .....	<u>179</u>	<u>2</u>	<u>4,334</u>	<u>3,363</u>	<u>7,878</u>
<b>Net book amounts:</b>					
At 30th June 1990 .....	<u>50,216</u>	<u>9</u>	<u>2,967</u>	<u>5,109</u>	<u>58,301</u>
At 1st July 1989 .....	<u>48,713</u>	<u>9</u>	<u>2,913</u>	<u>3,933</u>	<u>55,568</u>

Included in additions is

(i) £31,000 (1989 — £25,000) of own work capitalised.

(ii) £43,000 (1989 £25,000) of interest payable net of applicable tax relief.

If they had not been revalued, freehold properties would have been carried in the balance sheet at 30th June 1990 at:

	£'000
Cost .....	17,797
Accumulated depreciation .....	<u>166</u>
Net book amount .....	<u>17,631</u>

### 11. Investment in Subsidiaries

	1990 £'000	1989 £'000
At 1st July 1989 .....	—	168
Movement during the Year .....	—	(168)
At 30th June 1990 .....	<u>—</u>	<u>—</u>

The Company owns the whole of the issued share capital of Todd Vintners Limited and Thomas Grant & Company Limited. Both companies are registered in England. Neither traded in the year.

# SHEPHERD NEAME LIMITED

## NOTES TO THE ACCOUNTS — 30th JUNE 1990

### 12. Investments and Loans

	GROUP		COMPANY	
	1990	1989	1990	1989
	£'000	£'000	£'000	£'000
(a) Associated Company				
Investment during the year .....	50	—	50	—
Share of profit .....	20	—	—	—
At 30th June 1990 .....	<u>70</u>	<u>—</u>	<u>50</u>	<u>—</u>
The associated company UBSN Limited was formed in August 1989 as a 50/50 joint venture with United Breweries International (UK) Ltd. The company was formed for the purpose of jointly with United Breweries developing the potential of the Kingfisher Lager brand both in the UK and Overseas.				
(b) Unlisted Securities .....	<u>8</u>	<u>8</u>	<u>8</u>	<u>8</u>
Market Value .....	41	36	41	36
(c) Loans to Customers				
At 1st July 1989 .....	523	560	523	560
Additions .....	145	161	145	161
Redemptions .....	(118)	(198)	(118)	(198)
At 30th June 1990 .....	<u>550</u>	<u>523</u>	<u>550</u>	<u>523</u>
Total Investments and Loans .....	<u>628</u>	<u>531</u>	<u>608</u>	<u>531</u>

### 13. Stocks

	GROUP AND COMPANY	
	1990	1989
	£'000	£'000
Raw materials and beer in process .....	1,017	810
Finished goods including farm stock .....	1,415	1,225
Stores .....	542	313
	<u>2,974</u>	<u>2,348</u>

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

### 14. Debtors

	GROUP AND COMPANY	
	1990	1989
	£'000	£'000
Trade debtors .....	2,844	2,495
Other debtors .....	384	521
Prepayments .....	612	432
	<u>3,840</u>	<u>3,448</u>



# SHEPHERD NEAME LIMITED

## NOTES TO THE ACCOUNTS — 30th JUNE 1990

15. Creditors: Amounts falling due within one year	GROUP AND COMPANY	
	1990	1989
	£'000	£'000
Other creditors:		
Trade creditors .....	1,924	1,949
Other creditors .....	249	289
Accruals .....	217	199
Loans and trade deposits .....	572	540
Corporation tax .....	2,664	1,302
Other taxation and social security .....	1,163	904
Proposed dividend .....	609	531
	<u>7,398</u>	<u>5,714</u>

16. Creditors: Amounts falling due after more than one year	GROUP AND COMPANY	
	1990	1989
	£'000	£'000
(a) Bank borrowing .....	<u>2,437</u>	<u>2,625</u>
£1,125,000 of bank borrowing is repayable in six annual instalments of £187,500, with interest payable at rates between $\frac{3}{4}$ % and $\frac{7}{8}$ % above LIBOR. A further £1,500,000 at 10.25% p.a. fixed interest is repayable in full in June 1993.		
(b) Loans from suppliers .....	<u>61</u>	<u>73</u>

17. Capital Commitments	GROUP AND COMPANY	
	1990	1989
	£'000	£'000
Contracts for capital expenditure not provided for in the accounts amount to approximately:		
Outstanding contracts .....	—	62
Amounts authorised by the directors .....	<u>5,850</u>	<u>707</u>
	<u>5,850</u>	<u>769</u>

The £5,850,000 authorised by directors is in respect of the purchase of 33 public houses from Allied Breweries Limited. The purchase is scheduled for completion at the end of September 1990 and is to be financed through bank borrowings.

18. **Contingent Liability**  
£75,000 remains uncalled on the 125,000 £1 Ordinary Shares held by the company in its associate UBSN Limited.

19. Provision for Liabilities and Charges—Deferred Taxation	Full potential including that provided in accounts			
The amount provided and the full potential is:	Provided in the accounts		Full potential including that provided in accounts	
	1990	1989	1990	1989
	£'000	£'000	£'000	£'000
Capital allowances .....	250	250	1,242	1,068
Realised capital gains .....	—	—	1,000	1,000
Recoverable ACT .....	(203)	(177)	(203)	(177)
	<u>47</u>	<u>73</u>	<u>2,039</u>	<u>1,891</u>

No provision is made (or included in the full potential figures above) for the taxation liability which would arise on the disposal of properties at their revalued amounts as the likelihood of such a liability is considered remote.

# SHEPHERD NEAME LIMITED

## NOTES TO THE ACCOUNTS — 30th JUNE 1990

20. Share Capital	1990 £'000	1989 £'000
(a) Authorised:		
5,852,000 "A" Ordinary shares of £1 each .....	5,852	5,852
34,000,000 "B" Ordinary shares of 2p each .....	680	680
	<u>6,532</u>	<u>6,532</u>
(b) Allotted and fully paid:		
5,412,734 "A" Ordinary shares of £1 each .....	5,413	5,390
34,000,000 "B" Ordinary shares of 2p each .....	680	680
	<u>6,093</u>	<u>6,070</u>

21. Share Premium Account	1990 £'000	1989 £'000
Balance at 1st July 1989 .....	166	66
Premium on shares issued during the year .....	91	100
Balance at 30th June 1990 .....	<u>257</u>	<u>166</u>

Premiums were received of £65,380 on 11,176 "A" Ordinary shares issued to the Trustees of the Employee Profit Sharing Scheme, and of £26,100 on 12,000 "A" Ordinary Shares issued to an Executive exercising a Share Option.

22. Revaluation Reserve	GROUP AND COMPANY	
	1990 £'000	1989 £'000
Balance at 1st July 1989 .....	29,311	30,051
Transfer of realised surplus to profit and loss account .....	—	(740)
Balance at 30th June 1990 .....	<u>29,311</u>	<u>29,311</u>

23. Profit and Loss Account	GROUP		COMPANY	
	1990 £'000	1989 £'000	1990 £'000	1989 £'000
Balance at 1st July 1989 .....	13,417	10,337	13,417	10,390
Purchased goodwill .....	(16)	—	(16)	—
Retained profit for the year .....	1,615	3,080	1,595	3,027
Balance at 30th June 1990 .....	<u>15,016</u>	<u>13,417</u>	<u>14,996</u>	<u>13,417</u>

# SHEPHERD NEAME LIMITED

## NOTES TO THE ACCOUNTS — 30th JUNE 1990

### 24. Directors' Interests

The interests of the directors in the company's shares at 30th June 1990 (1st July 1989) are as follows:

	"A" Ordinary shares		"B" Ordinary shares	
	Beneficial	As Trustees	Beneficial	As Trustees
R. H. B. Neame .....	53,496	214,386	3,416,900	3,000,000
	60,596	214,386	4,216,900	2,200,000
S. F. B. Neame .....	21,722	7,800	361,700	—
	21,722	7,800	361,700	—
E. M. S. Rudgard .....	6,625	13,892	100,000	—
	5,525	13,892	100,000	—
E. R. Johnston .....	87,460	—	1,221,200	—
	90,460	—	1,221,200	—
M. B. Bunting .....	—	—	100,000	—
	—	—	100,000	—

Under the provisions of the Executive Share Option Scheme, the following options exist on "A" Ordinary Shares, granted for a consideration of £1, to each of the following directors.

Date Granted:	December 1985	November 1986
Exercisable at:	£2.50 per share	£3.175 per share
Until:	November 1995	October 1996
R. H. B. Neame .....	16,000	41,900
S. F. B. Neame .....	14,000	38,000

R. H. B. Neame and S. F. B. Neame are also participants in the Employee Profit Sharing Scheme.

### 25. Share Schemes

#### (a) The Shepherd Neame Employee Profit Sharing Scheme.

The Board has allocated £75,000 (1989 — £70,000) out of profits for the year which will be applied in acquiring "A" ordinary shares either by purchase or subscription. The 1989 allocation was applied in acquiring 11,176 "A" ordinary shares by subscription in December 1989 at £6.85 per share. Currently 143 (1989 — 132) employees qualify to participate in this scheme.

#### (b) The Shepherd Neame Executive Share Option Scheme.

There are outstanding options available to executives, including executive directors, to subscribe for 186,900 "A" Ordinary shares as follows:

Date Granted	Exercisable at Per Share	Until	Number of Shares
December 1985	£2.50	November 1995	51,000
November 1986	£3.175	October 1996	107,900
November 1989	£6.85	October 1999	21,000
February 1990	£6.50	January 2000	7,000

Options on 12,000 shares, granted in December 1986, were exercised during the year.

### 26. Pension Commitments

The group operates two defined benefit pension schemes, both of which are funded by the payment of contributions to separately administered trust funds.

The contributions to these schemes are determined with the advice of an independent qualified actuary on the basis of triennial valuations using the current unit method.

The most recent valuation of the main scheme which represents 70% of pension commitments was at 30th June 1989. The main assumptions used were that the investment return would be 9% per annum and that salary increases would average 7% per annum. As at 30th June 1989, the market value of the scheme's assets was £697,000. The actuarial value of the assets was sufficient to cover 86% of the benefits that had accrued to members after allowing for future increases in earnings. The deficiency should be eliminated over the estimated average remaining working lives of employees at the current employers' rate of 7% together with an annual supplement of £44,000 which is being made for the next two years.

The group also meets the pension costs of certain former employees which have not been funded through the pension schemes. The amount of the unfunded liability is not significant.

# SHEPHERD NEAME LIMITED — FINANCIAL RECORD

PROFIT AND LOSS	1990	1989	1988	1987	1986
	£'000	£'000	£'000	£'000	£'000
Turnover .....	26,670	23,620	21,270	19,297	17,257
Group operating profit .....	4,563	4,112	3,439	3,069	2,546
Finance charges .....	956	567	266	288	192
Exceptional items .....	—	—	191	—	—
	3,607	3,545	2,982	2,781	2,354
Taxation .....	1,200	1,250	1,079	972	889
Earnings	2,407	2,295	1,903	1,809	1,465
Extraordinary items and exceptional taxation .....	—	1,483	1,299	86	304
Available to shareholders .....	2,407	3,778	3,202	1,895	1,769
Dividends .....	792	698	603	525	428
Profit retained .....	1,615	3,080	2,599	1,370	1,341
<b>DIVIDENDS</b>					
Percentage on shares .....	13.0%	11.25%	10.0%	8.75%	7.25%
Dividend cover .....	3.0	3.3	3.2	3.4	3.4
Earnings per £1 share .....	39.5p	37.8p	32.0p	30.0p	24.4p
<b>SHAREHOLDERS' FUNDS</b>					
	£'000	£'000	£'000	£'000	£'000
Share Capital .....	6,093	6,070	6,025	3,006	3,000
Share Premium .....	257	166	66	32	—
Revaluation reserve .....	29,311	29,311	30,051	33,465	—
Revenue reserve .....	15,016	13,417	10,337	7,788	6,418
	50,677	48,964	46,479	44,291	9,418
<b>Represented by:</b>					
Tangible assets .....	58,929	56,099	50,890	48,201	12,801
Other assets .....	6,844	5,821	5,094	4,972	4,376
	65,773	61,920	55,984	53,173	17,177
<b>Liabilities:</b>					
Short term .....	12,551	9,162	5,635	5,587	5,979
Term .....	2,498	3,721	3,770	2,388	817
Deferred tax .....	47	73	100	907	963
	15,096	12,956	9,505	8,882	7,759
<b>Net Assets</b> .....	50,677	48,964	46,479	44,291	9,418