



1698

BRITAIN

SHEPHERD NEAME



SHEPHERD NEAME



SPITEFIRE

SPITEFIRE

GOLD

ALC 4.3% VOL

GOLD

ALC 4.3% VOL

7765

500ml - 3.60

FINANCIAL HIGHLIGHTS

TURNOVER

2015

£73.7_m

2014 as restated¹

£73.5_m

UNDERLYING OPERATING PROFIT²

2015

£7.2_m

2014 as restated¹

£7.0_m

STATUTORY PROFIT BEFORE TAX

2015

£8.7_m

2014 as restated¹

£4.9_m

UNDERLYING BASIC EARNINGS PER SHARE³

2015

26.7_p

2014 as restated¹

24.6_p

DIVIDEND PER SHARE

2015

5.45_p

2014

5.30_p

NET ASSETS PER SHARE⁴

2015

£12.36

2014 as restated¹

£11.52

1. The comparative has been restated for the adjustments made to comply with FRS 102 as set out in note 11.
2. Profit before net finance costs, any profit or loss on the disposal of properties, investment property fair value movements and exceptional items.
3. Underlying profit less attributable taxation divided by the weighted average number of ordinary shares in issue during the period. The number of shares in issue excludes those held by the Company and not allocated to the employees under the Share Incentive Plan, which are treated as cancelled.
4. Net assets at the balance sheet date divided by the number of shares in issue being 14,857,500 50p shares.
5. All comparatives are as at 27 December 2014.

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CHAIRMAN'S STATEMENT



“The Company's performance has been characterised by sustained and strong trading in the pub business.”

MILES TEMPLEMAN | CHAIRMAN

Interim Results

I am pleased to report another strong performance for the Company for the 26 weeks ended 26 December 2015.

During this period the consumer economy has remained relatively robust with high employment levels and increasing real earnings, but the weather has been less favourable than in 2014 with persistent heavy rain in the late summer and throughout the autumn. The Rugby World Cup provided a modest benefit in October and Christmas trade was particularly strong.

The Company's performance has been characterised by sustained and strong trading in our pub business, positive operating cash flows and significant proceeds from property disposals. Our beer business has performed less well than last year in challenging market conditions and margins have continued to be squeezed as a result of volume reduction from the exit from contract brewing and higher water treatment costs.

Accounting Standards

This is our first report under the FRS 102 accounting standard, and results in us having to re-state 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 are set out in the transition document, which is available at www.shepherdneame.co.uk.

As part of this process, the company has carried out a revaluation of some 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 licensed freehold assets only and excludes licensed leasehold assets and the brewery site. Unlicensed assets that are held for rental income are valued separately as investment property.

Financial Performance

Turnover for the period increased by 0.3% to £73.7m (2014: £73.5m). Underlying operating profit grew by +2.9% to £7.2m (2014: £7.0m). Underlying profit before tax¹ grew by 7.2% to £5.1m (2014: £4.7m) and statutory profit before tax is up to £8.7m (2014: £4.9m), with the increase being driven principally by the one-off disposal of land at Brogdale Road.

Basic earnings per ordinary share are up to 52.2p (2014: 26.2p) and underlying basic earnings per share are up 8.5% to 26.7p (2014: 24.6p).

Cash flow and Investment

Underlying EBITDA² was £10.8m, up 2.4% (2014: £10.5m). Total cash invested in capital expenditure was £6.3m (2014: £5.2m).

During the period we acquired two new outlets to be operated as managed pubs: the Minnis Bay Bar and Restaurant and the Anchor, Hampstead Lock, Yalding. In January 2016, we have acquired a further outlet to be operated under tenancy, the Coastguard at St. Margaret's Bay. All three of these outlets enjoy exceptional beach or waterfront locations and emphasise our strategy to acquire sites with unique character in landmark or high footfall locations.

During the period we have realised proceeds from property sales of £8.8m (2014: £0.7m). The principal disposal was 10 acres of land, remaining from the company's farming business, on Brogdale Road in Faversham, which was sold with planning permission for residential dwellings for £7.4m. The Company continues to own 44 acres of land and buildings on the edge of Faversham as a long term investment. In addition we disposed of five (2014: two) tenanted pubs and other assets for £1.4m.

These disposals have realised a property profit over the revalued net book value of £3.6m (2014: £0.1m). As a result of these cash proceeds and cash flow from operations, net debt at the half year stands at £61.4m (2014: £72.1m).

Refinancing

In line with our strong cash flow and lower debt levels, we have refinanced during the period to create a more flexible debt structure going forward and reduced costs. The five year term loan and revolving credit facility due to expire in May 2017 have been replaced with a £20m revolving credit facility through to September 2020, with the uncommitted option to extend by a further £10m during that time should the need arise.

The existing £60m term loan remains unchanged and matures in 2026. Excluding the overdraft, the Company now has total medium and long term committed credit facilities of £80m.

Dividend

The Board is proposing an interim dividend of 5.45p (2014: 5.30p), an increase of 2.8%. The dividend will be paid on 24 March 2016 to those shareholders on the register as at 11 March 2016.

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 will both step down as non-executive directors during the next six months and we are delighted to welcome two new non-executives to the Board who both enjoy distinguished careers in their chosen fields.

Hilary Riva, OBE, 58, will join 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, the FTSE 250 property company, and at ASOS plc, the largest online fashion retailer, amongst other roles.

Richard Oldfield, DL, 60, will join 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 achieve the strong position we are in today.

Operational Review

At the half year we operated 335 pubs (2014: 347) of which 275 (2014: 297) are tied tenanted or leased, six (2014: nil) are held as investment properties under commercial free of tie leases, and 54 (2014: 50) are managed. In the period we have acquired two pubs (2014: two) to be managed, disposed of five (2014: two) tenanted pubs and transferred six pubs (2014: nil) from tied tenancy to free of tie lease. We have not made any transfers from tenancy to managed (2014: one) or from managed to tenancy (2014: one) in the period.

Our strategic objectives remain to drive footfall to our pubs, to attract, retain and develop the best licensees and to provide a distinctive range of complementary products.

We are in the process of developing a new brand identity for the Company to give a more modern and stylish presentation of the Company logo in the estate, online and in other media which will be launched later in the year.

I am delighted that our efforts in our pub business have been recognised as the company is listed as a finalist in the Publican Awards Best Tenanted and Leased Pub Company (201+ sites) and also as a finalist in Best Food Offer (51+) sites.

Tenanted and Leased Pubs

Revenue in the tenanted estate grew by +0.3%, but operating profit fell by -1.1% through a lower number of pubs and increased property investment.

Like for like tenanted EBITDAR³ grew by +2.7% (2014: +3.4%) and average EBITDAR per pub has grown by +7.2% (2014: +4.0%) as the quality and profile of our estate continues to improve.

In recent years we have consistently increased the level of investment and quality of training and support within our tied estate, and this period has been no exception, with notable refurbishments to reposition the offer at the Poyntz Arms, East Molesey and the Four Fathoms, Herne Bay as well as many smaller developments. We have several large developments planned for the second half. As we improve our pub estate and quality of services and support, demand for our pubs from licensees remains strong.

Managed Pubs and Hotels

Managed pubs have again enjoyed an exceptional period with strong like for like growth which has been sustained over several years. Revenue grew by +13.8% and operating profit by +23.0%. Like for like sales grew by +6.5% (2014: +6.8%) with liquor +5.2% (2014: +4.9%), food +7.4% (2014: +7.8%) and accommodation +11.2% (2014: +14.5%).

This is the result of substantial investment in our best and largest outlets to modernise and premiumise the offer, improve the quality of drinks offer, invest in food service and quality of rooms and focus on providing a great experience for our customers. In the second half we plan major redevelopments at the Ship & Trades, Chatham Maritime and the Royal Albion Hotel, Broadstairs.

³ EBITDAR: pub earnings before interest, tax, depreciation, amortisation and rent payable

We have every reason to believe that the strong profit performance in the managed houses will continue although the additional cost impact from the National Living Wage and Apprenticeship Levy is estimated at £0.1m in the 2016 financial year and rising to around £1.1m between now and 2020.

Brewing and Brands

The Brewing and Brands business has again had a challenging period with revenue down -8.9% and operating profit down -54.9%. This is driven by a decline in overall own beer volume which was down 11.3%, and higher water treatment costs than in 2014. Own beer excluding contract was up marginally at +0.1%.

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 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 range and our Classic Collection. I am particularly pleased that our Whitstable Bay design and brand

development has won a 2016 Brand Effectiveness Award. During this period we have also added Spitfire Gold which has performed well 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 2017. We note the proposed purchase of the Peroni, Grolsch and Meantime Brewing businesses by Asahi Group Holdings which remain subject to regulatory approvals and are in discussions with them over the future of our ongoing partnership.

Summary

This has been another period of strong performance. Our consistent investment in our brand and pub assets to align them to today's consumer demand has resulted in the sustained quality and performance of our business in a highly competitive marketplace.

The continued benefit of strong trading combined with exceptional property proceeds and debt refinancing have created a strong financial base from which the Company can seek opportunities for further expansion in the future. We remain

cautious about the outlook for consumer spending as heightened security concerns and risks in the economy may dampen confidence. However, I am confident we have the right strategy to succeed and the skills to deliver it.



Miles Templeman
Chairman

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ENJOY A

IE

OF WINES

Blas

TAILS



PROFIT AND LOSS ACCOUNT 26 WEEKS ENDED 26 DECEMBER 2015

	Note	FRS 102 Unaudited 26 weeks ended 26 December 2015			FRS 102 Unaudited 26 weeks ended 27 December 2014 (as restated)		FRS 102 Unaudited 52 weeks ended 27 June 2015 (as restated)	
		Underlying results £'000	Items excluded from underlying results £'000	Total statutory £'000	Underlying results £'000	Items excluded from underlying results £'000	Total statutory £'000	Total statutory £'000
Turnover	4	73,709	-	73,709	73,524	-	73,524	138,237
Operating charges		(66,551)	(80)	(66,631)	(66,565)	-	(66,565)	(124,542)
Operating profit		7,158	(80)	7,078	6,959	-	6,959	13,695
Net finance costs		(2,086)	-	(2,086)	(2,226)	-	(2,226)	(4,424)
Profit on disposal of property		-	3,595	3,595	-	76	76	354
Investment property fair value movements		-	93	93	-	81	81	4,086
Profit on ordinary activities before taxation		5,072	3,608	8,680	4,733	157	4,890	13,711
Taxation	5	(1,126)	160	(966)	(1,109)	83	(1,026)	(2,734)
Profit after taxation		3,946	3,768	7,714	3,624	240	3,864	10,977
Earnings per 50p ordinary share	6							
Basic				52.2p			26.2p	74.3p
Underlying basic				26.7p			24.6p	48.7p
Diluted				51.8p			26.0p	73.8p

STATEMENT OF COMPREHENSIVE INCOME 26 WEEKS ENDED 26 DECEMBER 2015

	FRS 102 Unaudited 26 weeks ended 26 December 2015 £'000	FRS 102 Unaudited 26 weeks ended 27 December 2014 (as restated) £'000	FRS 102 Unaudited 52 weeks ended 27 June 2015 (as restated) £'000
Profit after taxation	7,714	3,864	10,977
Losses arising on cash flow hedges during the period	(1,500)	(5,249)	(2,263)
Tax relating to components of other comprehensive income	748	1,050	453
Other comprehensive losses for the period	(752)	(4,199)	(1,810)
Total comprehensive income/(loss) for the period	6,962	(335)	9,167

BALANCE SHEET AS AT 26 DECEMBER 2015

	FRS 102 Unaudited 26 December 2015 £'000	FRS 102 Unaudited 27 December 2014 (as restated) £'000	FRS 102 Unaudited 27 June 2015 (as restated) £'000
Fixed assets			
Tangible fixed assets	276,729	272,712	279,247
Investments and loans	478	771	713
	277,207	273,483	279,960
Current assets			
Stock	6,336	6,234	7,001
Debtors	19,163	21,443	16,103
Deferred tax asset due after one year	3,626	4,541	3,965
Cash	90	5,359	6,793
	29,215	37,577	33,862
Creditors: amounts falling due within one year			
Bank loans and overdrafts	(91)	(1,994)	(1,987)
Creditors	(27,082)	(25,991)	(24,156)
	(27,173)	(27,985)	(26,143)
Net current assets	2,042	9,592	7,719
Total assets less current liabilities	279,249	283,075	287,679
Creditors: amounts falling due after more than one year			
Bank loans	(61,403)	(75,510)	(73,592)
Derivative financial instruments	(19,283)	(20,768)	(17,783)
Deferred lease liability	(1,736)	(1,543)	(1,640)
Provision for liabilities	(13,217)	(14,120)	(14,838)
Net assets	183,610	171,134	179,826
Capital and reserves			
Called up share capital	7,429	7,429	7,429
Share premium account	1,099	1,099	1,099
Revaluation reserve	73,001	73,005	72,430
Reserve for own shares held	(676)	(606)	(827)
Hedging reserve	(15,683)	(16,615)	(14,226)
Profit and loss account	118,440	106,822	113,921
Equity shareholders' funds	183,610	171,134	179,826

These financial statements have not been audited (see note 1).

STATEMENT OF CHANGES IN EQUITY FOR THE 26 WEEKS ENDED 26 DECEMBER 2015

	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 FRS 102 (see note 11)	–	–	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 period	–	–	–	–	–	3,864	3,864
Losses arising on cash flow hedges during the period	–	–	–	–	(5,249)	–	(5,249)
Tax relating to components of other comprehensive income	–	–	–	–	1,050	–	1,050
Total comprehensive income	–	–	–	–	(4,199)	3,864	(335)
Ordinary dividends paid	–	–	–	–	–	(3,074)	(3,074)
Transfer of realised revaluation	–	–	(287)	–	–	287	–
Accrued share based payments	–	–	–	–	–	207	207
Purchase of own shares	–	–	–	(215)	–	–	(215)
Distribution of own shares	–	–	–	376	–	(342)	34
Unconditionally vested share awards	–	–	–	141	–	(141)	–
Balance at 27 December 2014	7,429	1,099	73,005	(606)	(16,615)	106,822	171,134
	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 27 June 2015 as previously stated	7,429	1,099	12,170	(827)	–	112,279	132,150
Changes on transition to FRS 102 (see note 11)	–	–	60,260	–	(14,226)	1,642	47,676
Balance at 27 June 2015 as restated	7,429	1,099	72,430	(827)	(14,226)	113,921	179,826
Profit for the period	–	–	–	–	–	7,714	7,714
Losses arising on cash flow hedges during the period	–	–	–	–	(1,500)	–	(1,500)
Tax relating to components of other comprehensive income	–	–	705	–	43	–	748
Total comprehensive income	–	–	705	–	(1,457)	7,714	6,962
Ordinary dividends paid	–	–	–	–	–	(3,178)	(3,178)
Transfer of realised revaluation	–	–	(134)	–	–	134	–
Accrued share based payments	–	–	–	–	–	264	264
Purchase of own shares	–	–	–	(288)	–	–	(288)
Distribution of own shares	–	–	–	301	–	(277)	24
Unconditionally vested share awards	–	–	–	138	–	(138)	–
Balance at 26 December 2015	7,429	1,099	73,001	(676)	(15,683)	118,440	183,610

CASH FLOW STATEMENT

26 WEEKS ENDED 26 DECEMBER 2015

	FRS 102 Unaudited 26 weeks ended 26 December 2015		FRS 102 Unaudited 26 weeks ended 27 December 2014 (as restated)		FRS 102 Unaudited 52 weeks ended 27 June 2015 (as restated)	
	£'000	£'000	£'000	£'000	£'000	£'000
Net cash flows from operating activities (note 8)		10,430		9,194		21,375
Cash flows from investing activities						
Proceeds of sale of tangible fixed assets	8,847		735		3,155	
Purchase of tangible fixed assets	(6,327)		(5,157)		(13,165)	
Additional loans to customers	(33)		(16)		(52)	
Customer loan redemptions	118		121		173	
Net cash flows from investing activities		2,605		(4,317)		(9,889)
Cash flows from financing activities						
Dividends paid	(3,178)		(3,074)		(3,861)	
Interest paid	(2,074)		(2,243)		(4,391)	
Repayment of long term loan	(16,000)		-		(2,000)	
New long term loan	2,000		-		-	
Issue costs of new long term loan	(313)		-		-	
Purchase of own shares	(288)		(215)		(465)	
Share option proceeds	24		33		43	
Net cash flows from financing activities		(19,829)		(5,499)		(10,674)
Net (decrease)/increase in cash and cash equivalents		(6,794)		(622)		812
Cash and cash equivalents at beginning of the period		6,793		5,981		5,981
Cash and cash equivalents at end of the period		(1)		5,359		6,793

1 Interim Statement

The financial information contained in this interim statement, which is unaudited, has been prepared under the new accounting standard FRS 102. The financial information does not constitute statutory accounts as defined in s434 of the Companies Act 2006. Statutory accounts for the 52 weeks ended 27 June 2015 prepared under previous UK GAAP, upon which the auditors issued an unqualified opinion, have been delivered to the Registrar of Companies. The adjustments made to comply with FRS 102 on the date of transition (28 June 2014) have not been audited therefore the financial information is shown as unaudited.

2 Accounting policies

The interim accounts have been prepared on the basis of the accounting policies set out in the FRS 102 transition document announced on 2 March 2016 which can be found at www.shepherdneame.co.uk.

3 Non-GAAP performance 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 "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

The adjustments made to reported profit before tax to arrive at underlying profit before tax are:

	26 weeks ended 26 Dec 15 unaudited £'000	26 weeks ended 27 Dec 14 unaudited (as restated) £'000	52 weeks ended 27 Jun 15 unaudited (as restated) £'000
Underlying profit before taxation	5,072	4,733	9,334
Profit on disposal of properties	3,595	76	354
Investment property fair value movements	93	81	4,086
Exceptional items	(80)	–	(63)
Total adjustments	3,608	157	4,377
Profit on ordinary activities before taxation	8,680	4,890	13,711

Exceptional items

Exceptional items of £80,000 for the 26 week period ended 26 December 2015 include legal and professional fees of £38,000 for the Consumer Credit Authorisation application, required by the Financial Conduct Authority; and £42,000 for 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 Segmental reporting

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 customers:

- Brewing and Brands which comprises the brewing, marketing and sales of beer, wines 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 segments are set on an arm's length basis.

	Brewing and Brands £'000	Managed Pubs and Hotels £'000	Tenanted and Leased Pubs £'000	Unallocated £'000	Total £'000
26 weeks ended 26 December 2015					
Turnover	30,448	25,142	17,334	785	73,709
Underlying operating profit	524	4,271	6,493	(4,130)	7,158
Exceptional items	-	-	-	(80)	(80)
Segment operating profit	524	4,271	6,493	(4,210)	7,078
Net finance costs					(2,086)
Profit on disposal of property					3,595
Investment property fair value movements					93
Profit on ordinary activities before taxation					8,680
Other segment information					
Capital expenditure – tangible fixed assets	948	2,970	2,070	210	6,198
Depreciation	1,113	1,035	1,004	354	3,506
Underlying EBITDA	1,741	5,312	7,495	(3,776)	10,772
Number of pubs	-	54	275	6	335
26 weeks ended 27 December 2014					
Turnover	33,408	22,092	17,288	736	73,524
Segment operating profit	1,161	3,471	6,567	(4,240)	6,959
Net finance costs					(2,226)
Profit on disposal of property					76
Investment property fair value movements					81
Profit on ordinary activities before taxation					4,890
Other segment information					
Capital expenditure – tangible fixed assets	1,018	2,557	1,202	109	4,886
Depreciation	1,187	907	960	360	3,414
Underlying EBITDA	2,487	4,385	7,526	(3,880)	10,518
Number of pubs	-	50	297	-	347

4 Segmental reporting continued

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
Items excluded from underlying results	-	-	(63)	-	(63)
Segment 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
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 EBITDA	4,357	8,464	14,709	(6,757)	20,773
Number of pubs	-	52	286	-	338

5 Taxation

	26 weeks ended 26 Dec 15 £'000	26 weeks ended 27 Dec 14 (as restated) £'000	52 weeks ended 27 Jun 15 (as restated) £'000
Corporation tax	1,501	1,189	2,251
Deferred tax	(535)	(163)	483
	966	1,026	2,734

Taxation has been provided at 22% (2014: 23%) based on the estimated effective tax rate for the 52 weeks to 25 June 2016. The average statutory rate of corporation tax for the 52 weeks to 25 June 2016 is 20% (52 weeks to 27 June 2015: 20.75%).

Taxation on items excluded from underlying results for the 26 weeks ended 26 December 2015 includes a deferred tax credit of £683,000 (2014: £nil). This arises from restatement of deferred tax assets and liabilities in respect of accelerated capital allowances and rolled over gains based on the future tax rates of 19% from April 2017 and 18% from April 2020. These rates have been substantively enacted at the balance sheet date and are expected to apply when the timing differences reverse.

Similarly, taxation relating to components of other comprehensive income for the 26 weeks ended 26 December 2015 includes a deferred tax credit of £447,000 (2014: £nil) due to restating the deferred tax balances in respect of the revalued freehold licensed properties and derivative financial instruments.

6 Earnings per share

The earnings per share are calculated on profit after taxation of £7,714,000 (2014 restated: £3,864,000) and on 14,770,000 shares (2014: 14,733,000) shares being the weighted average number of ordinary shares in issue during the period, adjusted for shares held in respect of employee incentive plans and options. The diluted earnings per share are calculated on the average number of shares in issue during the period adjusted by 113,000 shares (2014: 127,000). The underlying earnings per share are calculated on profit after tax of £3,946,000 (2014: £3,624,000).

7 Dividends

	26 weeks ended 26 Dec 15 £'000	26 weeks ended 27 Dec 14 £'000	52 weeks ended 27 Jun 15 £'000
50p ordinary shares:			
Final dividend for 2015: 21.40p (2014: 20.75p)	3,178	3,074	3,074
Interim dividend for 2015: 5.30p	-	-	787
Dividends paid	3,178	3,074	3,861

8 Notes to the cash flow statement

(a) Reconciliation of operating profit to cash generated by operations

	26 weeks ended 26 Dec 15 £'000	26 weeks ended 27 Dec 14 (as restated) £'000	52 weeks ended 27 Jun 15 (as restated) £'000
Operating profit	7,078	6,959	13,695
Adjustment for:			
Depreciation and amortisation	3,506	3,414	6,811
Impairment provision	-	-	63
Charge for share-based payments credited to reserves	264	207	425
Decrease/(increase) in stocks	665	183	(584)
(Increase)/decrease in debtors and prepayments	(3,034)	(3,235)	2,083
Increase in creditors and accruals	2,944	2,652	951
Free trade loan discounts	55	64	136
Loss on sale of assets (excluding property)	53	81	79
Interest received	8	4	13
Income tax paid	(1,109)	(1,135)	(2,297)
Cash generated by operations	10,430	9,194	21,375

(b) Analysis of net debt

	June 2015 (as restated) £'000	Cash flow £'000	Repayment of long term loan £'000	New long term loan £'000	Issue costs of new loan £'000	Amortisation of issue costs £'000	December 2015 £'000
Cash	6,793	(6,703)	-	-	-	-	90
Bank overdraft	-	(91)	-	-	-	-	(91)
Cash and cash equivalents	6,793	(6,794)	-	-	-	-	(1)
Debt due within one year	(1,987)	-	2,000	-	-	(13)	-
Debt due after more than one year	4,806	(6,794)	2,000	-	-	(13)	(1)
	(73,592)	-	14,000	(2,000)	313	(124)	(61,403)
Total	(68,786)	(6,794)	16,000	(2,000)	313	(137)	(61,404)

9 Capital Expenditure and Commitments

In the 26 weeks ended 26 December 2015, there were additions to tangible fixed assets on an accruals basis of £6,198,000 (2014: £4,886,000). In the financial period, there were disposals of tangible fixed assets with a net book value of £5,305,000 (2014: £740,000). As at 26 December 2015, capital commitments contracted, but not provided for by the Company, amounted to £975,000 (2014: £2,236,000).

10 Related party transactions

During the 26 weeks ended 26 December 2015 the Company purchased goods to the value of £17,000 (2014: £5,000) including VAT and made sales of £71,000 (2014: £56,000) to St Austell Brewery Company Limited, a company of which Mr J B Neame is a non-executive Director. At 26 December 2015, Shepherd Neame Limited was owed £14,000 (2014: £7,000), including VAT, by St Austell Brewery Company Limited. Shepherd Neame Limited did not owe any balance to St Austell Brewery Company Limited as at 26 December 2015.

Ms C Neame, a close member of Mr J B Neame's family, is a director of Charlotte Neame Interior Design Limited which provided goods and design services in respect of the refurbishment of certain Company properties during the period at a cost of £11,000 including VAT (2014: nil). There was a balance of £11,000 owed to this company as at 26 December 2015.

Mr A J A Barnes, a close member of Mr G H A Barnes' family, is a partner of Clarke Barnes Solicitors LLP, which provided legal services in respect of Company properties during the period at a cost of £20,000 including VAT and disbursements to third parties (2014: £30,000). At 26 December 2015, Shepherd Neame Limited owed £2,000 to the partnership.

Mr N J Bunting, executive director of Shepherd Neame Limited, is also a director of Davy and Company Limited. During the period, the Company made sales to the value of £102,000 (2014: £153,000) to Davy and Company Limited and its associated companies. At 26 December 2015, the balance owed to the Company by the Davy Group of companies, including VAT, was £25,000 (2014: £28,000).

11 New accounting standard FRS 102

An announcement explaining the impact of FRS 102 was made on 2 March 2016 showing how the results for the 52 weeks ended 27 June 2015 would have been stated under FRS 102. As a consequence of adopting FRS 102, a number of accounting policies have changed to comply with that standard. A description of the nature of change of each accounting policy can be found in the transition document, available from our website www.shepherdneame.co.uk.

Revaluation of properties at transition

The Company has revalued licensed freehold properties to fair value on transition to FRS 102. The properties were revalued individually by the Company's own professionally qualified staff. A sample were verified by Porters, a firm of independent external qualified valuers. The revaluation was in accordance with the provisions of the RICS Valuation – Professional Standards January 2014 ('the Red Book').

	26 weeks ended 27 Dec 14 £'000	52 weeks ended 27 Jun 15 £'000
Previous UK GAAP		
Profit after taxation	3,927	7,257
Adjustments on transition to FRS 102:		
Depreciation on revalued licensed property	(40)	(80)
Impairment and profit on disposal of revalued properties	(139)	465
Revaluation of investment property	81	4,086
Operating leases	(104)	(224)
Customer loans	40	61
Bank loans	2	3
Short-term compensated absences	2	(28)
	(158)	4,283
Taxation on FRS 102 adjustments	95	(563)
	(63)	3,720
FRS 102		
Profit after taxation	3,864	10,977

	28 Jun 14 £'000	27 Dec 14 £'000	27 Jun 15 £'000
Previous UK GAAP			
Equity shareholders' funds	128,751	129,630	132,150
Adjustments to equity on transition to FRS 102:			
Revaluation of licensed property	68,391	68,207	68,744
Revaluation of investment property	1,916	2,002	6,035
Operating leases	(1,401)	(1,505)	(1,625)
Customer loans	(225)	(185)	(164)
Bank loans	21	23	24
Short-term compensated absences	(209)	(207)	(237)
Interest rate swaps	(15,520)	(20,768)	(17,783)
Deferred tax	(7,207)	(6,063)	(7,318)
	45,766	41,504	47,676
FRS 102			
Equity shareholders' funds	174,517	171,134	179,826

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