



8 October 2008

SHEPHERD NEAME LIMITED

ANNOUNCEMENT OF PRELIMINARY RESULTS

Shepherd Neame, the Kent-based brewer and pub operator, today announces results for the 52 weeks ended 28 June 2008.

Highlights include:

- Turnover £101.7m (2007: £100.0m), up 1.7%
- Operating profit before exceptionals £12.6m (2007: £13.9m), down 9.3%
- Final Dividend per £1 share 17.9p (2007: 17.2p), up 4.1% and total dividend per £1 share 22.5p (2007: 21.5p), up 4.7%
- EBITDA pre exceptional items £18.1m (2007: £19.3m), down 5.9%
- Profit before tax and exceptionals £9.1m (2007: £10.5m)
- Earnings per share 49.3p (2007: 73.4p)
- Managed house annual like-for-like sales down 1.7% (2007: up 4.3%)
 - strong performance from London pubs, with annual like-for-like sales up 5.1%
 - managed house like-for-like sales for the 9 weeks to 30 August up 1.2%
- Tenanted pub annual like-for-like contribution down 2.2% (2007: up 6.2%)
- Excellent performance from Asahi Super Dry – volumes up 11.2%
- Voted *The Publican* Regional Brewer of the Year

Miles Templeman, Chairman, commented:

“This has been a very challenging year for our industry. There has been a sharp downturn in economic activity and consumer confidence in the UK, particularly in the final quarter of our financial year.

Margins have been squeezed by significant increases in our input costs, such as malt, glass, utilities and food. Our performance has nonetheless been resilient and compares well against a record result in 2007.

The immediate outlook remains difficult to predict. However, revenue at the start of the year is in line with expectations, with a particularly strong performance from our Take Home team and robust sales in managed houses.

In the longer term we remain very positive about the Company’s prospects.”

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

NOTES FOR EDITORS

Shepherd Neame is a regional brewer and pub owner based in Faversham, Kent. Established in 1698, it is Britain's oldest brewer and employs over 1,000 people.

The Company retails its own beers, on draught and in bottles, under a range of highly successful brand names, including:

- **Spitfire** – One of the fastest growing premium ales in the UK (4.5% abv) with national distribution on draught and in bottle – supported by a multi award-winning ‘Bottle of Britain’ advertising campaign.
- **Bishops Finger** – Connoisseur premium ale (5.4% abv), nationally distributed in all major supermarkets – one of the country's leading bottled ales.
- **Master Brew** – Widely distributed draught ale (3.7% abv) – a ‘local hero’ brand mainly sold in Kent.
- **Hürlimann** – Swiss lager (4.8% abv), UK trademark owned by Shepherd Neame.

The company also brews lagers under licence or contract:

- **Asahi Super Dry** – Japan's leading beer (5% abv), which is produced under an exclusive licence for brewing, sales and marketing.
- **Sun Lik** – The leading draught Chinese lager (5% abv) and brewed under licence from the Hong Kong Brewery Ltd, part of the San Miguel brewing company.
- **Holsten Export** – Draught lager (4.7% abv) brewed and distributed under licence from Holsten Brauerei AG, Hamburg in accordance with the German Reinheitsgebot purity standards.
- **Oranjeboom Pilsener** – Lager brewed under licence from United Dutch Breweries (4.1% abv), with wide distribution in the South East.
- **Kingfisher** – A leading Indian lager brand produced under licence from United Breweries of India (4.8% abv) and distributed in the majority of UK Indian restaurants.

Shepherd Neame sold 248,000 brewers' barrels of beer (71.4 million pints) and brewed 215,000 brewers' barrels of beer (61.9 million pints) in the last year. The majority of these sales were made in the UK although the Company also exports to more than 20 countries including France, Sweden and Denmark.

The Company as at October 2008 operates 369 pubs in the South East, of which 322 are tenanted and 47 managed. The pub estate ranges from food-focused destination houses and hotels to historic coaching inns and traditional community 'locals'. Total bedrooms under management are 210.

Shepherd Neame's shares are traded on PLUS Market. See www.plusmarketsgroup.com for further information and the current share price. For further information on the Company, see www.shepherdneame.co.uk.

CHAIRMAN'S STATEMENT

Results

This has been a very challenging year for our industry. There has been a sharp downturn in economic activity and consumer confidence in the UK, particularly in the final quarter of our financial year. Our performance has nonetheless been resilient and compares well against a record result in 2007. In spite of the market pressures we have maintained our strategic focus in improving the business. We have modernised our plant and infrastructure, invested in our pubs and brand portfolios, and completed the installation of a new fully integrated IT system.

Turnover has increased by 1.7% to £101.7m. Margins have, however, been squeezed by significant increases in our input costs, such as malt, glass, utilities and food. As a consequence, our operating profit margin before exceptional items has fallen from 13.8% to 12.3%. Operating profit before exceptionals is £12.6m against £13.9m in 2007 and profit before tax and exceptionals for the year is £9.1m against £10.5m in 2007.

During the year the Company incurred exceptional costs of £1.7m in relation to the testing and implementation of our project to install SAP computer software and re-engineer our business processes. The system went live successfully on 30 June and we will incur our final charge related to this project in the first half of our next financial year.

Earnings per share before exceptionals are 48.6p, compared with 60.5p in 2007. Basic earnings per share are 49.3p, down from 73.4p in 2007 when the result benefited from an unusually large property profit, including the sale of the Belvedere Road site, and a one off tax credit of £0.65m due to a change in legislation.

Dividends

A final dividend of 17.9p per £1 'A' ordinary share and 0.36p per 2p 'B' ordinary share has been proposed by the Board, giving total dividends for the year of 22.5p per £1 'A' ordinary share and 0.45p per 2p 'B' ordinary share. This represents a 4.1% increase in the final dividend per share and a 4.7% increase in the total dividend per share for both classes of shares for the full year.

The final dividend will be paid on 31 October 2008 to shareholders on the register as at the close of business on 17 October 2008.

Directors

We are pleased to welcome Tom Falcon, who joined the Board on 24 July 2008 as Production and Distribution Director, following Ian Dixon's retirement after 17 years with the Company. Tom joins us from The Maersk Company Ltd (London), part of the A.P. Moller-Maersk Group, where he was Director of Strategy and Process Excellence, responsible for business and process improvement. Tom also held senior positions at Maersk in asset management and procurement and directed a portfolio of transport and distribution companies. We thank Ian for his tremendous contribution. During his time with the Company he has overseen a significant expansion and modernisation of the brewery and the opening of the new distribution centre. This has enabled us to expand our lager portfolio and maintain our enviable levels of quality.

The Market

The beer industry continues to consolidate at the global level with InBev and Anheuser-Busch being the latest to announce merger plans. At the regional and local level I believe there are significant opportunities for smaller operators in the gaps left open by this consolidation. We will continue to exploit the capability of a relatively small scale operation to sell our products more effectively into niche distribution channels. The premium sector of the market is still strong and this is where we focus our attention.

The breadth and quality of our tenanted and managed estate goes from strength to strength. At the same time, however, increasing price differentials have encouraged growth in the take home market and decline in on trade beer consumption. The business is well prepared to take advantage of this change in sales distribution.

The alcohol industry in general continues to face ever increasing political interference. It is particularly disappointing that the Government does not recognise the important social, cultural and community role of British beer and British pubs and also fails to recognise the economic value of our sector. Rather, it sees the industry as a tax collection point on one hand and a social problem on the other. We have to continue to take a leading role in pointing out the error of that perception and to keep the incremental regulatory and tax burden to a minimum in the future.

We do, as with most operators in the sector, take our responsibilities as producers and retailers very seriously and I am pleased to report that during the year we won the Kent Business Award for Corporate Social Responsibility in further recognition of our efforts in this area.

Strategy and Business

The difficult economic environment combined with the smoking ban has clearly hurt the national pub trade, but we still achieve good returns with the right management and the right investment.

The changing landscape reaffirms the need to pursue the niche orientated beer business and to look for further brand opportunities, as well as improving our efficiency and cost effectiveness. The planned investment in our bottling plant will further enhance our capabilities and efficiencies.

The Board strongly believes that our strategy is right for the long term. The investments we have made this year in the brewery, our brands, our sales force and business processes have improved the quality of our operations and will make us stronger for the future.

Current Trading

The immediate outlook remains difficult to predict. We are, as with all businesses, subject to ongoing cost inflation and the state of the UK economy as a whole. There are many indicators that there will be further pressures on UK consumers during the coming year. However, revenue at the start of the year is in line with expectations, with a particularly strong performance from our take home team and robust sales in managed houses.

Summary

The Board has great confidence that the investments and improvements we have made to the Company in this year will continue to move the business forward, and when a more positive consumer outlook returns, we will be even better placed to exploit it.

I should like to take this opportunity to express the Board's thanks for the tremendous efforts made by all members of the Company and our licensees, all of whom have handled a difficult environment well.

Miles Templeman
Chairman

CHIEF EXECUTIVE'S REVIEW

Overview

This year the industry has faced a set of considerable challenges but the Company has responded to them well. The first year of the smoking ban was always going to be difficult for many pubs but for this to coincide with a very wet summer in 2007, spiralling supply chain costs and a sharp drop in consumer confidence in the second half of the year was unprecedented.

Within this context I am pleased to report that the Company was able to grow revenues by 1.7% and for EBITDA to remain strong. Our performance compares well with our record year in 2007.

The market for beer nationally declined by 2.8% in the year to June 2008. There was an accelerated shift in beer consumption from on trade to off trade within the year, with off trade now accounting for 44% of the total market. Overall beer consumption is forecast to decline further and home consumption to increase its share of the market as the price differential between on and off trade grows, exacerbated by the unnecessary and misguided duty increases in the 2008 Budget.

The long term success of Shepherd Neame has been the breadth and balance of the vertically integrated business model. This gives us the strength to be flexible and adaptable in the rapidly changing market. The challenges that the Company faces are similar to those faced by many other companies in the wider economy and are likely to persist throughout the next year. Our focus is to ensure that we pursue the right strategy for the Company for the long term, to continue to enhance our reputation for quality beer, for premium pubs and for customer service, as well as implementing initiatives to mitigate cost increases where possible.

It is particularly pleasing that this year we have been judged *The Publican* Regional Brewer of the Year and been rated *ontrack* Drinks Retailer of the Year in independent consumer research.

Pub Business

Our strategy remains to develop pubs with individual character, a distinct image, good internal and external presentation, with interesting and attractive gardens and a premium product offer.

Pub going habits are changing. Pub visits are becoming more reliant on food and weekend or family occasions. Fine weather, particularly at leisure time, has a large influence. A good cask ale offer too is becoming increasingly important and in this we already have a particular strength.

The UK smoking ban came into effect on 1 July 2007. This adversely affected beer volumes in some pubs and benefited others. The main areas of downturn were in lager, spirits and machine income. Cask ale and wine have performed satisfactorily. The overall impact of the smoking ban has been confused by many other economic factors.

The quality of food served in our tenanted and managed estate is generally very high with many excellent and diverse offers. Particular mention should be made of The Sportsman at Seasalter, which achieved a Michelin star.

During the year we invested £5.6m in acquiring five new pubs including the prestigious George Hotel, Cranbrook. This is down from our record spend levels in 2007 of £16.4m. It is our strategy to grow the business by selective acquisition of high class individual outlets but we believe there will be limited opportunities to do so in the coming year. We will concentrate on accelerating smaller projects in our tenanted estate and prepare the Company to be able to take advantage of market opportunities that are expected to arise in the longer term. We disposed of seven pubs for total proceeds of £2.4m, bringing our year end total to 375 pubs.

In spite of the challenging conditions we achieved a satisfactory result from our estate. Revenues from the tenanted estate fell by 1.7% with like-for-like contribution down 2.2%. Rental income was strong, increasing by 7.4%.

Licensee recruitment has been encouraging with the number of applications in line with last year. We have noticed applicants coming to take pubs specifically because smoking has been banned and this gives us considerable optimism for the future. We believe that our tenanted model offers a very fair deal for our licensees and is more resilient to downturn than lease alternatives. However, in the short term we are cautious that the general economic situation may make it harder for applicants to raise sufficient funds to take on pubs.

Our retail revenue grew by 0.7%. At the year end we were operating 47 pubs under management. Our like-for-like sales declined by 1.7%. Our London pubs remained very strong with like-for-like growth of 5.1%. After a difficult winter we experienced a recovery in May and June, with like-for-like sales up 2.3%. This continued in the first nine weeks of the new financial year with like-for-like sales growth of 1.2%, which is very encouraging in the light of another wet summer.

Our food sales grew by 4.3% during the year with like-for-like sales down by 0.6%. Food now accounts for 28.3% of total retail turnover, up from 27.4%. Accommodation sales in the managed estate grew by 4.8% and we operated 210 bedrooms under management at the year end. There are a further 189 letting rooms in our tenanted estate.

All pubs have experienced substantial cost increases in the last year, in particular in food and utilities. We work continuously to optimise our food offer to ensure high quality and value for money and to review the energy efficiency of our pubs.

Brands

Our sales volume to the year end was 248,000 barrels, down 2.7% on 2007.

Our ale portfolio has proved very resilient to the difficult market conditions. Spitfire draught was down 4.9%, whilst 500ml bottle sales grew by 15.7%. Bishops Finger total volume grew by 8.3% and our smaller brands such as Whitstable Bay and 1698 Bottled Conditioned have performed very well off a lower base. Since the year end we have launched a new lighter, refreshing cask ale, Canterbury Jack, to fill a gap in our national sales portfolio for a standard strength bitter. Initial response has been very positive.

In our lager portfolio, Asahi Super Dry has had an outstanding year with volume growth of 11.2%. We have gained a number of high profile listings in premium bars, restaurants and hotels. Brand awareness is high and consumer reaction is very positive. We expect this growth to continue into 2009. Asahi has considerably enhanced our portfolio and gives us the opportunity to develop other brands into new channels. We have grown our distribution in London and other major cities and have also developed new business with outside events. Our mainstream lagers have, however, performed less well with Oranjeboom and Holsten Export down by 12.0% in line with the difficult market conditions.

We focus on maintaining high awareness of our brands through good PR, sponsorship and promotional events. Activity of note this year was the "Help for Heroes" Spitfire promotion and our support for the European Golf Open. We were also particularly pleased with the high profile achieved in one day cricket through our sponsorship of Kent and Essex. At the year end we launched the "Mr Asahi" robot to conduct taste trials on a national basis. This received very considerable profile.

Our take home team grew revenue by 14.6%. We have gained further distribution with a variety of customers and have also strengthened our sales team. We have, however, struggled with bottling capacity all year and need to invest in the new year to enable us to maximise our potential in this area. As part of this plan we will move to lightweight glass to reduce our impact on the environment. Export has performed extremely well with revenue up 26.2%. Sweden has again been the key performer. Our local free trade business enjoyed a strong year with revenues solid in a very challenging market. National On Sales grew revenues by 12.1% in spite of several major customers experiencing a downturn in business.

The market for beer is changing fast. To take advantage of these opportunities and to build the distribution of our brands we have strengthened and expanded our sales force on a national and regional basis. Key factors for success in the future will be a high quality specialist portfolio, a premium account base, a highly motivated and skilled sales team, a dedicated customer service and an astute use of marketing funds. We have made progress to strengthen each of these areas in the last year.

Brewery

The brewery has experienced spiralling costs - as have other operators – in energy and core raw materials, such as malt and glass. We have, however, focused on maintaining the highest standard of quality in our beers, packaging and supply chain.

Raw material cost per unit has increased by 45% since 2005/6 and we will experience further substantial rises into 2009. In order to mitigate these cost increases we are reviewing all energy intensive plant and have installed state-of-the-art technology in the brewhouse. We have also acquired two Volvo low emission trucks, as part of our new efficient truck fleet.

As the market shifts towards home consumption, we have upgraded our palletiser/de-palletiser, as the first part of a bottling plant modernisation, and brought co-packing in-house. Since the year end we have committed to the final stages of this programme to install a new filler and packing plant. This project will increase the capacity, quality and flexibility of our bottling line and will also reduce energy consumption. This will be completed by mid 2009.

I am delighted that the quality of our production continues to be recognised by *The Daily Telegraph* Taste of Britain Award and with Kingfisher winning the highly prestigious Monde World Selection Grand Gold Award.

Enterprise Project

I am pleased to report that we went live on the SAP system at the beginning of the new financial year. It has been an enormous undertaking to move from our outdated business processes and fragmented IT platform to a fully integrated ERP system. We have upgraded all our hardware, software and third party interfaces and streamlined our working practices. After many years of underinvestment we have, since 2004, invested £6.7m to modernise our systems and business processes. This gives us a secure, flexible and first class information platform with which to drive operational improvements and efficiencies in the future.

Summary

This has been as difficult a year as anyone in the industry can remember. We have had to contend with significant cost inflation at a time of weakening demand. These conditions are likely to persist into 2009. We remain naturally cautious about the coming year as the precise impact of cost pressures and consumer spending remains uncertain.

In the longer term we remain very positive about the Company's prospects as the changing market is likely to produce a number of opportunities in the future for expanding both our beer and pub business. We continue to invest in the business to ensure that we have the right pubs, the right brand portfolio, the right people skills and production and supply chain capability to take advantage of them as they arise.

Jonathan Neame
Chief Executive

CONSOLIDATED PROFIT AND LOSS ACCOUNT

52 weeks ended 28 June 2008

	note	2008 before exceptional items £'000	2008 exceptional items £'000	2008 total £'000	2007 £'000
Turnover	1	101,718	-	101,718	100,047
Operating charges		(89,157)	(1,696)	(90,853)	(87,974)
Operating profit		12,561	(1,696)	10,865	12,073
Profit on sale of property		-	1,279	1,279	3,031
Profit on ordinary activities before interest		12,561	(417)	12,144	15,104
Interest receivable and similar income		84	-	84	21
Interest payable and similar charges		(3,552)	-	(3,552)	(3,553)
Profit on ordinary activities before taxation		9,093	(417)	8,676	11,572
Taxation	2	(2,925)	500	(2,425)	(2,280)
Profit for the year after taxation		6,168	83	6,251	9,292
Earnings per £1 nominal share value (p)					
Basic	4			49.3p	73.4p
Diluted	4			48.9p	72.8p
Basic before exceptional items	4			48.6p	60.5p

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2008 £'000	2007 £'000
Total recognised gains and losses in the year	6,251	9,292
Prior year adjustments:		
FRS 20 share-based payment	-	(40)
Total gains and losses recognised since the last annual report	6,251	9,252

NOTE OF CONSOLIDATED HISTORICAL COST PROFITS AND LOSSES

	2008 £'000	2007 £'000
Profit on ordinary activities before taxation	8,676	11,572
Realisation of property revaluation	(41)	466
Historical cost profit on ordinary activities before taxation	8,635	12,038
Historical cost profit for the year retained after taxation	6,210	9,758

BALANCE SHEETS

As at 28 June 2008

	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Fixed assets				
Intangible fixed assets	128	164	128	164
Tangible fixed assets	171,458	162,578	171,458	162,578
Investments and loans	1,929	2,029	2,030	6,181
	173,515	164,771	173,616	168,923
Current assets				
Stock	5,870	5,542	5,870	5,542
Debtors	16,301	14,873	16,301	14,873
Cash	86	96	86	96
	22,257	20,511	22,257	20,511
Creditors: amounts falling due within one year				
Bank loans and overdrafts	(1,605)	(4,112)	(1,605)	(4,112)
Creditors	(19,023)	(20,387)	(19,120)	(24,539)
	(20,628)	(24,499)	(20,725)	(28,651)
Net current assets/(liabilities)	1,629	(3,988)	1,532	(8,140)
Total assets less current liabilities	175,144	160,783	175,148	160,783
Creditors: amounts falling due after more than one year	(59,409)	(49,380)	(59,409)	(49,380)
Provisions for liabilities - deferred tax	(4,563)	(3,743)	(4,563)	(3,743)
Net assets	111,172	107,660	111,176	107,660
Capital and reserves				
Called up share capital	12,818	12,818	12,818	12,818
Share premium account	1,439	1,439	1,439	1,439
Revaluation reserve	16,269	16,228	16,269	16,228
Reserve for own shares held	(1,587)	(1,515)	(1,587)	(1,515)
Profit and loss account	82,233	78,690	82,237	78,690
Equity shareholders' funds	111,172	107,660	111,176	107,660

These accounts were approved by the Board of Directors on 25 September 2008 and were signed on its behalf by:

M H Templeman

J B Neame

Directors

CONSOLIDATED CASH FLOW STATEMENT

52 weeks ended 28 June 2008

	2008	2007
£'000	£'000	£'000
Net cash inflow from operating activities	15,738	20,719
Returns on investment and servicing of finance		
Interest paid	(2,692)	(4,081)
Interest received	84	21
	(2,608)	(4,060)
Taxation paid	(2,111)	(2,313)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(17,240)	(30,052)
Proceeds of sales of tangible fixed assets	2,201	5,631
Receipt on dissolution of associated company	13	-
Additional loans to customers	(423)	(434)
Customer loan redemptions	222	349
	(15,227)	(24,506)
Equity dividends paid	(2,778)	(2,587)
Net cashflow before financing	(6,986)	(12,747)
Financing		
Purchase of own shares	(517)	(468)
Repayment of loan from associated undertaking	-	(18,500)
New short term loan	-	2,000
Repayment of short term loan	(1,000)	-
New long term loan	10,000	31,000
Issue cost of new long term loans (including exceptional interest charge)	-	(557)
Movement in cash during the year	1,497	728

NOTES TO THE CONSOLIDATED CASHFLOW STATEMENT

52 weeks ended 28 June 2008

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

	2008	2008	2008	2007
	before	exceptional	total	
	exceptional	items	£'000	£'000
	items	£'000	£'000	£'000
Operating profit	12,561	(1,696)	10,865	12,073
Depreciation and amortisation	5,268	-	5,268	5,089
Charge for share-based payments credited to reserves	556	-	556	429
Increase in stocks	(328)	-	(328)	(611)
Increase in debtors and prepayments	(1,163)	-	(1,163)	(933)
Increase in creditors and accruals	245	-	245	3,720
Free trade loan discounts	293	-	293	305
Loss on sale of assets (excluding property)	2	-	2	13
Pre-project costs	-	-	-	634
	4,873	-	4,873	8,646
Net cash inflow from operating activities	17,434	(1,696)	15,738	20,719

2 Reconciliation of cash flows to movement in net debt

	2008 £'000	2007 £'000
Opening cash and overdraft	(2,016)	(2,744)
Closing cash and overdraft	(519)	(2,016)
Increase in cash during the year	1,497	728
Repayment of loan from associated undertaking	-	18,500
New long term loan	(10,000)	(31,000)
Issue costs capitalised	-	351
New short term loans	-	(2,000)
Repayment of short term loan	1,000	-
Amortisation of loan premium	-	44
Amortisation of loan issue costs	(29)	(18)
Movement in net debt during the year	(7,532)	(13,395)
Net debt at beginning of year	(53,396)	(40,001)
Net debt at end of year	(60,928)	(53,396)

3 Analysis of changes in net debt

	2007 £'000	Cash flow £'000	Repayment of short term loan £'000	New loans £'000	Amortisation of issue costs £'000	2008 £'000
Cash at bank	96	(10)	-	-	-	86
Bank overdrafts	(2,112)	1,507	-	-	-	(605)
Debt due within one year	(2,000)	-	1,000	-	-	(1,000)
	(4,016)	1,497	1,000	-	-	(1,519)
Debt due after more than one year	(49,380)	-	-	(10,000)	(29)	(59,409)
Total	(53,396)	1,497	1,000	(10,000)	(29)	(60,928)

NOTES TO THE ACCOUNTS

28 June 2008

1. Turnover

Turnover comprises sales net of discounts, rents receivable and services rendered from continuing trading activities, excluding value added tax. The Directors consider that the business carried on by the Group is that of a fully integrated regional brewer operating in the UK and that this constitutes one class of business. The export sales during the year were £1,684,000 (2007 - £1,334,000).

2. Taxation

a) Tax on profit on ordinary activities

	2008	2007
	£'000	£'000
Current tax:		
UK corporation tax at average statutory rate 29.5% (2007 - 30%)	1,734	2,339
Prior year under/(over) provision	(129)	120
Total current tax	1,605	2,459
Deferred tax:		
Origination and reversal of timing differences	563	478
Prior year under/(over) provision	257	(2)
Impact of prospective reduction in the rate of corporation tax	-	(248)
Impact of changes in the IBA regime introduced by Finance Act 2007	-	(407)
Total deferred tax	820	(179)
Total tax charge	2,425	2,280

b) Factors affecting the current tax charge

The tax assessed on the profit on ordinary activities before taxation for the year is lower than the standard average statutory rate of corporation tax in the UK of 29.5% (2007 - 30%). The differences are reconciled below.

	2008	2007
	£'000	£'000
Profit on ordinary activities before tax	8,676	11,572
UK corporation tax at average statutory rate 29.5% (2007 - 30%)	2,559	3,472
Expenses not deductible for tax purposes and non taxable income	(103)	118
Capital allowances in excess of depreciation	(590)	(498)
Short term timing differences	(3)	20
Rolled over gains on asset disposals	(129)	(773)
Prior year under/(over) provision	(129)	120
	1,605	2,459

The exceptional profit on the disposal of properties of £1,279,000 (2007 - £3,031,000) does not give rise to a tax charge (2007 - £nil) due to rollover relief.

c) Factors that may affect future tax charges

No provision is made for the taxation liability which would arise on the disposal of properties at their revalued amounts or on gains rolled over into replacement assets. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. The total amount unprovided is estimated at £6.7m (2007 - £6.6m), based on a corporation tax rate of 28% (2007 - 28%). At present it is not envisaged that any such tax will become payable in the foreseeable future.

3. Dividends

	2008	2007
	£'000	£'000
Declared and paid during the year		
£1 'A' ordinary shares:		
Final dividend for 2007: 17.20p (2006 – 15.95p)	1,964	1,820
Interim dividend for 2008: 4.55p (2007 - 4.30p)	518	492
	2,482	2,312
2p 'B' ordinary shares:		
Final dividend for 2007: 0.344p (2006 - 0.319p)	234	217
Interim dividend for 2008: 0.091p (2007 - 0.086p)	62	58
	296	275
Dividends paid	2,778	2,587
Proposed for approval at the AGM:		
Final dividend for 2008 on £1 'A' ordinary shares: 17.90p (2007 – 17.20p)	2,045	1,964
Final dividend for 2008 on 2p 'B' ordinary shares: 0.358p (2007 - 0.344p)	243	234
	2,288	2,198

Shares held by the Company (and not allocated to employees under the Share Incentive Plan) are treated as cancelled when calculating dividends and earnings per share.

4. Earnings per share

	2008	2007
	£'000	£'000
Based on £1 nominal share value		
Profit attributable to equity shareholders	6,251	9,292
Weighted average share capital	12,680	12,651
Dilutive outstanding options	106	110
Adjusted weighted average share capital	12,786	12,761
Basic	49.3p	73.4p
Diluted	48.9p	72.8p
Basic before exceptional items	48.6p	60.5p

The earnings per share before exceptional items are calculated on profit after tax and before exceptional items of £6,168,000 (2007 - £7,650,000 being profit after tax of £9,292,000 less exceptional profit of £1,642,000).

5. Accounts

The above financial information does not amount to full accounts within the meaning of S240 of the Companies Act 1985. It has, however, been extracted from the statutory accounts for the 52 weeks ended 28 June 2008, which include an unqualified auditor's report and will be delivered to the Registrar of Companies and from the statutory accounts for the 53 weeks ended 30 June 2007, which included an unqualified auditor's report and have been delivered to the Registrar of Companies.

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