INTERIM REPORT

FOR THE 26 WEEKS ENDED 1 OCTOBER 2018

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FINANCIAL HIGHLIGHTS

For the 26 weeks ended 1 October 2018

	2018 £m	2017 £m	% change
Revenue	156.8	144.1	+8.8
Adjusted operating profit[1]	28.6	27.8	+2.9
Operating profit	28.9	25.0	+15.6
Adjusted profit before tax[1]	26.1	24.9	+4.8
Profit before tax	26.4	22.1	+19.5
Adjusted basic earnings per share[1]	42.11p	41.15p	+2.3
Basic earnings per share	42.52p	35.62p	+19.4
Interim dividend per share	9.97p	9.41p	+6.0

All of the results above are from continuing operations.

[1] Reference to an "adjusted" item means that item has been adjusted to exclude exceptional items (see note 3).

I am very pleased to report another strong period of trading, driven by our well-invested managed house estate which has once again outperformed the wider market.

Propelled by the hottest English summer on record, our beautiful riverside locations, stunning gardens and growing number of roof terraces attracted pub-goers from far and wide. This saw like-for-like sales in our managed houses increase by 5.2%, continuing our trend of exceptional summer performances with average like-for-like sales growth of 5.6% over the past seven years.

These impressive managed house like-for-like sales, combined with some high turnover acquisitions made in the previous year and a good underlying performance from our tenanted house estate, where like-for-like sales were up 4.8%, meant that we delivered total revenue of £156.8 million for the period, up 8.8%, and adjusted profit before tax up 4.8% to £26.1 million. Including exceptional items, profit before tax was up 19.5% to £26.4 million.

Strong revenue growth contributed to a 4.7% increase in our adjusted EBITDA to a half-year record of £40.4 million, underpinning our healthy cash generation which reduced our net debt by £15.1 million to £125.4 million.

Operating margins, however, are under pressure, challenged by the increasing cost headwinds, as we have previously highlighted, especially due to a tightening labour market. We also felt some impact from delays in achieving the expected returns of recent acquisitions. Together, these have led in the short term to a decrease in adjusted operating margins of 1.1% points. Our approach to mitigate these challenges is, as always, to continue growing our top line sales. Strong revenue growth means that our like-for-like operating margins are off by just 0.3% points, leaving group operating margins at 18.2%, still one of the highest in the sector.

The recruitment and the retention of top talent is increasingly difficult and so our strategy of investing in our own people has continued. As such, in April, we launched our maiden General Manager Designate Scheme, allowing us to identify talented individuals when they are available and provide them with the opportunity to shadow some of our leading managers before they settle into running their own pubs.

In recent announcements from the Chancellor, we welcomed his commitment to apprenticeships and greater flexibility in levy rules. As one of the earliest pub companies to be awarded "employer provider" status last summer, our first apprentices are nearing the end of their 18-month journey and are already exploring the new opportunities opening up to them within Young's. I am delighted that this debut programme has proved such a huge success, with these pioneers leading the way for our next wave of apprentices who started in July.

In line with our progressive dividend policy, the board has decided to raise the interim dividend for the 22nd consecutive year, again by 6.0%, to 9.97 pence per share. This is expected to be paid on 7 December 2018 to shareholders on the register at close of business on 23 November 2018.

BUSINESS REVIEW

Managed houses

Total revenue was up 9.0%, and up 5.2% on a like-for-like basis, driven by strong growth in drink and accommodation. Our combined revenue mix across our 182 managed houses (including 25 hotels) was 67% for drink, with food at 28% and accommodation growing to 5%.

Drink sales enjoyed an exceptional summer, with double digit growth of 10.2% in total and up 7.4% on a like-for-like basis. Traditional summer drinks drove most of this, with draught lager up 6.8%, draught cider up 8.7%, rosé up 27% and Pimm's up 26%. Our customers' thirst for gin continues to show no signs of saturation, with sales up another 41% in total and volume up 35% as consumers switched from sparkling and white wines.

Sales of draught lager and cider products were further boosted by England surpassing all expectations in the FIFA Football World Cup which helped drive footfall during the key games, although increased costs from additional door staff and reduced food consumption during the tournament resulted in lower margin conversion.

Recent investment in our hotel business has resulted in strong returns. Accommodation sales were up £1.1 million or 18.3%, accelerated by last year's acquisition of the Park (Teddington) and the Bridge (Chertsey). This performance is even more impressive given that both sites have yet to receive any post-acquisition investment. Work at the Park is due to commence in November, with a major transformation planned before it re-opens in early spring. Likewise, the Bridge will receive a brand new look during the early part of 2019.

The like-for-like hotel performance is equally impressive, with sales up 3.3% and RevPAR up £2.48 to £70.49. We will continue to seek hotel room opportunities both within our existing estate and through acquisitions.

Food sales were up 4.8% in total but remained flat across our like-for-like estate. Although the hot weather was an advantage to us as a business in terms of drink sales, the positive impact of this has been partially offset by flat food sales, particularly on Sundays, our biggest food day, with customers switching from traditional Sunday roasts towards lighter meals. However, the effects of this have been somewhat mitigated thanks to our strategy of promoting the informal dining experience through our ever-increasing number of Burger Shacks; these saw sales rise by 20.8%. Our monthly chef forums, a three-day event attended by all our head chefs, also continue to provide an inspirational environment to explore new

ingredients and create new dishes with Britishness and seasonality at their core.

Investment in our managed houses during the first six months of the year increased slightly to £12.1 million despite fewer acquisitions in the period. We opened the Naturalist (Woodberry Down), sitting on the banks of a reservoir in the hub of one of Europe's biggest single-site estate regeneration projects which will have more than 5,500 homes once complete. The King's Arms (Wandsworth), which transferred from our Ram Pub Company last year, also re-opened after a complete makeover in late May and its garden has proved to be a hidden gem amongst the hustle and bustle of Wandsworth Town centre.

We also completed major projects at the Alexandra (Wimbledon), Coach and Horses (Kew), Home Cottage (Redhill), Leather Bottle (Earlsfield), Marquess of Anglesey (Covent Garden), Mulberry Bush (Southwark), Northcote (Clapham), Riverstation (Bristol) and the Wheatsheaf (Borough Market).

Pubs are people businesses and our strength is based upon the commitment of our staff and loyalty of our customers. I'm thankful for all of them. At Young's, we work a little differently to others – we don't follow concepts or brands and we believe in the power of the pub and giving our talented general managers the environment to continue to surprise and delight our discerning customers.

In January, we became one of the first partner companies of "Only A Pavement Away", a brand-new charity founded by representatives from the hospitality industry with the aim of acting as a conduit to help those people struggling to find work. Their initial focus was on helping support people who were sleeping rough, but this has since been widened to include ex-service personnel, ex-offenders and those with learning difficulties. To date, we've displayed the most success of any partner company, with four people now working in varying roles.

THE RAM PUB COMPANY

I am very pleased with the good performance of our tenanted division, with total sales up 3.1% and up 4.8% on a like-for-like basis. Ram Pub Company sites are normally smaller than our managed houses, with less outdoor space, so the impact of a hot summer is lower. The strong tenanted performance was driven by a 2.4% increase in beer volumes.

During the period, we invested in the Grapes (Wandsworth), Old Sergeant (Wandsworth), Railway Telegraph (Thornton Heath) and the Swan (Sidmouth). We are also benefitting from the first full six months of the Old Bear (Cobham) which was acquired in February.

We now operate 70 tenanted pubs after four disposals in the past six months: the King's Arms (Mitcham) and the William IV (Redhill) were sold for a combined

£1.2 million; we decided not to renew the lease of the Queen's Head (Stepney) and the Bayee Village (Wimbledon Village) was vacated in preparation for a redevelopment at our adjoining Dog and Fox hotel.

INVESTMENT AND FINANCE

Strong revenue growth has resulted in our adjusted interim earnings per share rising 2.3% to a record 42.11 pence.

Our premium, well-invested, asset-backed estate and relatively low debt levels result in us having a very strong balance sheet with gearing of 22.1%; this provides the financial capacity to seize future investment opportunities. The recent increase in M&A activity in the hospitality sector is evidence that desirable locations are still well sought after and pub property values see no sign of falling. Net debt has come down to £125.4 million (April 2018: £140.5 million); with our record half-year adjusted EBITDA, our net debt as a multiple of the last twelve months' adjusted EBITDA has now reduced to 1.8 times (April 2018: 2.0 times).

Since the year-end, corporate bond yields, the rate at which our pension liabilities are discounted, have slightly increased again, leading to a further reduction in our retirement benefit deficit by £1.8 million to £4.3 million. Together with the pension scheme trustee, we completed the latest triennial review and remain committed to continuing to make additional contributions, as agreed, over the coming years.

Our balance sheet strength and healthy cash generation have allowed us to increase the interim dividend, the 22nd consecutive time we have done so, while retaining sufficient funds to reinvest and continue our growth story. The dividend will increase by 6.0% to 9.97 pence per share and is expected to be paid on 7 December 2018 to shareholders on the register at close of business on 23 November 2018.

CURRENT TRADING AND OUTLOOK

After a memorable summer, we've started the second half of the year well; total sales in the past six weeks are up 7.2% and up 3.9% on a like-for-like basis.

In the second half of the year, we will see further benefit from 'SMITHS' of Smithfield (Smithfield Market) and the Candlemaker (Cannon Street) as they continue to ramp up following their refurbishments although this will be partly offset by the closure of the Park (Teddington) and the Bridge (Chertsey) due to their planned redevelopments. We will soon be on site at Kidbrooke Village, where we will be opening a brand-new pub next spring, and we recently exchanged contracts on another freehold, the People's Park Tavern (Victoria Park). Acquisitions remain an integral part of our strategy and our pipeline remains strong.

Economic and political uncertainty remains unhelpful and recent statements from the Government have been contradictory in declaring support for businesses but at the same time

promising to impose restrictions on immigration. Being based in London and Southern England, it is more than our cocktails that are cosmopolitan; 38% of our workforce are EU nationals and we will remain an inclusive business. Exceptional customer service is not something people are born with; it takes hundreds of hours of training and dedication, so I would never consider any of our employees to be "low-skilled".

The decision to freeze duty on beer, cider and spirits in the Chancellor's recent budget announcement has been a timely relief to support our industry and our customers. Although we acknowledge the first positive steps taken by the Chancellor in modernising the business rates mechanism, our hope was for a complete overhaul. These are challenging times for the hospitality sector and the 3.2 million people employed within it. Our sector and the wider retail industry merit a rebalancing of the uneven playing field which sees property-based companies paying business rates which represent an additional tax burden not faced by the global online tech giants. The minor reduction in business rates for smaller operators and the proposed introduction of a digital services tax do not go far enough to redress the imbalance in the burden of taxation.

In summary, we believe in long-term growth and the ability to deliver sustainable superior investor returns. We have a winning strategy of running a high-quality managed house estate with a small and profitable tenanted division, and we will continue to ensure that our offer taps in to current and future consumer trends.

Therefore, despite severe cost headwinds and ongoing political uncertainty, our expectations for the full year remain unchanged.

Patrick Dardis
Chief Executive
14 November 2018

INDEPENDENT REVIEW REPORT TO THE MEMBERS OF YOUNG & CO.'S BREWERY, P.L.C.

For the 26 weeks ended 1 October 2018

Introduction

We have been engaged by the company to review the condensed set of financial statements in the Interim Report for the 26 weeks ended 1 October 2018 which comprises the group income statement, the group statement of comprehensive income, the group balance sheet, the group statement of changes in equity, the group statement of cash flow and the related explanatory notes. We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The Interim Report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Report in accordance with the AIM Rules issued by the London Stock Exchange which require that it is presented and prepared in a form consistent with that which will be adopted in the company's annual accounts having regard to the accounting standards applicable to such annual accounts.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRS's as adopted by the European Union. The condensed set of financial statements included in this Interim Report has been prepared in accordance with the AIM Rules issued by the London Stock Exchange.

Our Responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the Interim Report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Interim Report for the 26 weeks ended 1 October 2018 has not been prepared, in all material respects, in accordance with the accounting policies outlined in note 1, which comply with IFRS's as adopted by the European Union, and in accordance with the AIM Rules issued by the London Stock Exchange.

Ernst & Young LLP
London
14 November 2018

GROUP INCOME STATEMENT

For the 26 weeks ended 1 October 2018

	Notes	**Unaudited 26 weeks to 1 Oct 2018 £m**	Unaudited 26 weeks to 2 Oct 2017 £m	*Audited 52 weeks to 2 Apr 2018 £m*
Revenue	2	**156.8**	144.1	*279.3*
Operating costs before exceptional items		**(128.2)**	(116.3)	*(232.4)*
Adjusted operating profit		**28.6**	27.8	*46.9*
Operating exceptional items	3	**0.3**	(2.8)	*(3.4)*
Operating profit		**28.9**	25.0	*43.5*
Finance costs		**(2.4)**	(2.7)	*(5.6)*
Other finance charges	9	**(0.1)**	(0.2)	*(0.3)*
Profit before tax		**26.4**	22.1	*37.6*
Taxation	4	**(5.6)**	(4.7)	*(7.5)*
Profit for the period attributable to shareholders of the parent company		**20.8**	17.4	*30.1*

		Pence	Pence	*Pence*
Earnings per 12.5p ordinary share				
Basic	5	**42.52**	35.62	*61.60*
Diluted	5	**42.48**	35.59	*61.56*

The results and earnings per share measures above are all from continuing operations.

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the 26 weeks ended 1 October 2018

	Notes	**Unaudited 26 weeks to 1 Oct 2018 £m**	Unaudited 26 weeks to 2 Oct 2017 £m	*Audited 52 weeks to 2 Apr 2018 £m*
Profit for the period		**20.8**	17.4	*30.1*
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss:				
Unrealised gain on revaluation of property		**–**	–	*29.2*
Remeasurement of retirement benefit schemes	9	**1.2**	4.4	*5.8*
Tax on above components of other comprehensive income	4	**(0.1)**	–	*(4.5)*
Items that will be reclassified subsequently to profit or loss:				
Fair value movement of interest rate swaps		**0.9**	2.4	*4.3*
Tax on fair value movement of interest rate swaps	4	**(0.1)**	(0.4)	*(0.7)*
		1.9	6.4	*34.1*
Total comprehensive income for shareholders of the parent company		**22.7**	23.8	*64.2*

GROUP BALANCE SHEET

At 1 October 2018

	Notes	**Unaudited at 1 Oct 2018 £m**	Unaudited at 2 Oct 2017 £m	*Audited at 2 Apr 2018 £m*
Non current assets				
Goodwill		**20.9**	19.7	*19.7*
Property and equipment	8	**744.1**	692.1	*742.9*
Deferred tax assets		**6.3**	6.5	*6.4*
Lease premiums		**13.3**	7.4	*13.6*
		784.6	725.7	*782.6*
Current assets				
Inventories		**3.3**	3.0	*3.0*
Trade and other receivables		**9.0**	7.1	*7.0*
Lease premiums		**0.7**	0.6	*0.8*
Cash		**6.4**	5.4	*7.2*
		19.4	16.1	*18.0*
Total assets		**804.0**	741.8	*800.6*
Current liabilities				
Borrowings		**(9.5)**	(9.0)	*(10.0)*
Derivative financial instruments		**(1.9)**	(2.3)	*(1.9)*
Trade and other payables		**(31.2)**	(32.9)	*(30.9)*
Income tax payable		**(6.2)**	(5.7)	*(4.3)*
		(48.8)	(49.9)	*(47.1)*
Non current liabilities				
Borrowings		**(122.3)**	(114.1)	*(137.7)*
Derivative financial instruments		**(3.9)**	(6.1)	*(4.7)*
Deferred tax liabilities		**(55.6)**	(50.4)	*(54.6)*
Retirement benefit schemes	9	**(4.3)**	(7.9)	*(6.1)*
Provisions		**(1.1)**	(0.6)	*(1.2)*
		(187.2)	(179.1)	*(204.3)*
Total liabilities		**(236.0)**	(229.0)	*(251.4)*
Net assets		**568.0**	512.8	*549.2*
Capital and reserves				
Share capital	10	**6.1**	6.1	*6.1*
Share premium	10	**6.7**	5.7	*5.7*
Capital redemption reserve		**1.8**	1.8	*1.8*
Hedging reserve		**(4.4)**	(6.8)	*(5.2)*
Revaluation reserve		**273.4**	248.3	*273.3*
Retained earnings		**284.4**	257.7	*267.5*
Total equity		**568.0**	512.8	*549.2*

GROUP STATEMENT OF CHANGES IN EQUITY

For the 26 weeks ended 1 October 2018

	Notes	Share capital and premium £m	Capital redemption reserve £m	Hedging reserve £m	Revaluation reserve £m	Retained earnings £m	Total equity £m
At 2 April 2018		**11.8**	**1.8**	**(5.2)**	**273.3**	**267.5**	**549.2**
Total comprehensive income							
Profit for the 26 week period		–	–	–	–	20.8	20.8
Other comprehensive income							
Remeasurement of retirement benefit schemes	9	–	–	–	–	1.2	1.2
Fair value movement of interest rate swaps		–	–	0.9	–	–	0.9
Tax on above components of other comprehensive income	4	–	–	(0.1)	0.1	(0.2)	(0.2)
		–	–	0.8	0.1	1.0	1.9
Total comprehensive income		–	–	0.8	0.1	21.8	22.7
Transactions with owners recorded directly in equity							
Issued equity	10	1.0	–	–	–	–	1.0
Dividends paid on equity shares		–	–	–	–	(5.0)	(5.0)
Revaluation reserve realised on disposal of properties		–	–	–	–	–	–
Share based payments		–	–	–	–	0.1	0.1
Tax on share based payments		–	–	–	–	–	–
		1.0	–	–	–	(4.9)	(3.9)
At 1 October 2018		**12.8**	**1.8**	**(4.4)**	**273.4**	**284.4**	**568.0**
At 3 April 2017		**11.3**	**1.8**	**(8.8)**	**247.7**	**241.0**	**493.0**
Total comprehensive income							
Profit for the 26 week period		–	–	–	–	17.4	17.4
Other comprehensive income							
Remeasurement of retirement benefit schemes	9	–	–	–	–	4.4	4.4
Fair value movement of interest rate swaps		–	–	2.4	–	–	2.4
Tax on above components of other comprehensive income	4	–	–	(0.4)	0.7	(0.7)	(0.4)
		–	–	2.0	0.7	3.7	6.4
Total comprehensive income		–	–	2.0	0.7	21.1	23.8
Transactions with owners recorded directly in equity							
Issued equity	10	0.5	–	–	–	–	0.5
Dividends paid on equity shares		–	–	–	–	(4.7)	(4.7)
Revaluation reserve realised on disposal of properties		–	–	–	(0.1)	0.1	–
Share based payments		–	–	–	–	0.3	0.3
Tax on share based payments		–	–	–	–	(0.1)	(0.1)
		0.5	–	–	(0.1)	(4.4)	(4.0)
At 2 October 2017		**11.8**	**1.8**	**(6.8)**	**248.3**	**257.7**	**512.8**

GROUP STATEMENT OF CASH FLOW

For the 26 weeks ended 1 October 2018

	Notes	**Unaudited 26 weeks to 1 Oct 2018 £m**	Unaudited 26 weeks to 2 Oct 2017 £m	*Audited 52 weeks to 2 Apr 2018 £m*
Operating activities				
Net cash generated from operations	7	**38.6**	33.2	*61.4*
Tax paid		**(4.0)**	(4.6)	*(9.1)*
Net cash flow from operating activities		**34.6**	28.6	*52.3*
Investing activities				
Sales of property and equipment		**1.2**	2.1	*2.1*
Purchases of property and equipment, and lease premiums	8	**(13.5)**	(11.9)	*(30.4)*
Business combinations, net of cash acquired	8	**–**	(2.4)	*(23.0)*
Net cash used in investing activities		**(12.3)**	(12.2)	*(51.3)*
Financing activities				
Issued equity		**0.2**	–	*–*
Interest paid		**(2.3)**	(2.9)	*(5.3)*
Equity dividends paid		**(5.0)**	(4.7)	*(9.3)*
Repayments of amounts borrowed		**(16.0)**	(10.0)	*(20.0)*
Proceeds from borrowing		**–**	–	*34.2*
Net cash flow used in financing activities		**(23.1)**	(17.6)	*(0.4)*
(Decrease)/increase in cash		**(0.8)**	(1.2)	*0.6*
Cash at the beginning of the period		**7.2**	6.6	*6.6*
Cash at the end of the period		**6.4**	5.4	*7.2*

1. ACCOUNTS

This interim report was approved by the board on 14 November 2018. The interim financial statements are unaudited and are not the group's statutory accounts as defined in s. 434 of the Companies Act 2006.

The consolidated interim financial statements have been prepared under IFRS's as adopted by the European Union and on the basis of the accounting policies set out in the statutory accounts of Young & Co.'s Brewery, P.L.C. for the period ended 2 April 2018 other than the adoption of the new accounting standards set out below. The financial statements have not been prepared (and are not required to be prepared) in accordance with IAS 34: 'Interim Financial Reporting', with the exception of note 4, taxation, where the tax charge for the half year to 1 October 2018 has been calculated using an estimate of the full year effective tax rate, in line with the principles of IAS 34. The accounting policies have been applied consistently throughout the group for the purposes of preparation of this financial information.

The group has adopted the following new standards during the period:

IFRS 15: Revenue from Contracts with Customers was effective from 3 April 2018. IFRS 15 no longer separates revenue generated from sales of goods from sales of services based on the transfer of risk and rewards; instead it defines transactions as those satisfied over time and those satisfied at a point in time. It focuses on control and when this moves from the seller to the customer. The standard introduces a "five step" approach to help determine the transfer of promised goods and services and the consideration expected to be received. Almost all of the group's revenue is derived through sales of drink, food and accommodation in our managed estate and drink in our tenanted estate. These represent simple transactions with only one performance obligation, require a low level of judgement in determining the consideration, and the timing of transfer of control occurs at a point of time. The remainder of the group's revenue is made up of rental income received from tenanted and unlicensed properties and accrued interest using the effective interest method which are outside of the scope of IFRS 15. The group does not receive any dividend income. After a detailed assessment of all of the group's revenue, the group concluded that the adoption of IFRS 15 did not have any impact on the group's financial performance, position or cash flows. The standard must be applied retrospectively. The group has chosen to adopt the modified approach and no restatement of the comparatives was required. The standard does introduce additional disclosure requirements which are included in note 2.

IFRS 9: Financial Instruments was effective from 3 April 2018. The standard introduced a new impairment model for financial assets and new rules for hedge accounting. The group does not have significant financial assets other than trade and other receivables. The carrying values of receivables were shown net of a provision for impairment which equate to fair value. Under IFRS 9 they are carried at amortised cost less impairment due to their sole purpose being the collection of contract cash flows (the payment of the principal amount and, if applicable, interest). This change in measurement has had no impact on the group's financial position.

In determining the impairment, the group has applied the simplified approach permitted by IFRS 9, with expected lifetime credit losses recognised from initial recognition of the receivable. Expected credit losses are assessed by considering the group's historical credit loss experience, factors specific for each receivable, the current economic climate and expected changes in forecasts of future events. They also consider the time value of money. Changes in expected credit losses are recognised in the income statement. The adoption did not have a material impact on the group's financial performance or financial position.

The requirements of the new hedge accounting model did not have a material impact on the group's financial performance or financial position. Our current interest rate swaps were considered highly effective under the previous standard, IAS 39, and qualified for hedge accounting which they continue to do under IFRS 9.

Due to the adoption of the new standard having no material impact on the group, no restatement of the prior year comparatives was required. Expanded disclosure requirements have changed the extent of the group's current disclosures on financial instruments and will be included in the full year financial statements ending 1 April 2019.

For the financial period starting 2 April 2019, the directors intend to adopt IFRS 16: Leases, which will replace IAS 17 and requires lessees to recognise a lease liability reflecting the present value of future lease payments and a right-of-use-asset in respect of virtually all leases. For new leases, the balance sheet will effectively be 'grossed up', but with no impact to net assets, at the inception of each lease. The group income statement will contain a new interest charge, a lower rent charge and an increase in depreciation charge recognised on the right-of-use-asset. There are various transitional rules which the group is currently considering. The group's net assets will change on transition. A project to assess the full impact of the new standard is under way and will be completed by March 2019. Due to the ongoing project, it is not yet possible to disclose the full impact of the new standard.

The interim report is presented in pounds sterling and all values are shown in millions of pounds (£m) rounded to the nearest £0.1m, except where otherwise indicated.

Statutory accounts for the period ended 2 April 2018 have been delivered to the Registrar of Companies. The auditor's report on those accounts was unqualified and did not contain any reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report. Further, that report did not contain a statement under s. 498(2) or (3) of the Companies Act 2006 (adequate accounting records not kept, returns inadequate, accounts not agreeing with records and returns, or failure to obtain necessary information and explanations).

This interim report has been prepared in accordance with the AIM Rules issued by the London Stock Exchange.

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2. SEGMENTAL REPORTING

The group is organised into the reporting segments referred to below. These segments are based on the different resources and risks involved in the running of the group. The group's executive board internally reviews each reporting segment's operating profit or loss before exceptional items for the purpose of deciding on the allocation of resources and assessing performance.

The group has three operating segments: Young's managed houses, Geronimo managed houses and Ram Pub Company. Both Young's and Geronimo managed houses operate pubs. Revenue is derived from sales of drink, food and also, for Young's managed houses, accommodation. Management has reported the group's managed houses as a single reportable segment since they are affected by common economic factors (market trends and consumer demand, taste, disposable income and propensity to spend), have similar product offerings and are measured against the same key performance indicators. Ram Pub Company consists of pubs owned or leased by the company and leased or sub leased to third parties. Revenue is derived from rents payable by, and sales of drink made to, tenants. Unallocated relates to head office income and costs.

	26 weeks to 1 Oct 2018 £m	26 weeks to 2 Oct 2017 £m	*52 weeks to 2 Apr 2018 £m*
Revenue			
Managed houses	**149.9**	137.5	*266.4*
Ram Pub Company	**6.7**	6.5	*12.6*
Segment revenue	**156.6**	144.0	*279.0*
Unallocated income	**0.2**	0.1	*0.3*
Total revenue	**156.8**	144.1	*279.3*
Operating profit before exceptional items			
Managed houses	**35.7**	35.0	*60.7*
Ram Pub Company	**2.5**	2.4	*4.4*
Adjusted operating profit before unallocated expense	**38.2**	37.4	*65.1*
Unallocated expense	**(9.6)**	(9.6)	*(18.2)*
Adjusted operating profit	**28.6**	27.8	*46.9*
Operating exceptional items			
Managed houses	**–**	(3.1)	*(4.0)*
Ram Pub Company	**0.3**	0.3	*0.6*
Operating profit	**28.9**	25.0	*43.5*
Finance costs	**(2.4)**	(2.7)	*(5.6)*
Other finance charges	**(0.1)**	(0.2)	*(0.3)*
Profit before tax	**26.4**	22.1	*37.6*

Rental income of £1.6 million (2017: £1.6 million) and £0.2 million (2017: £0.1 million) is included within Ram Pub Company revenue and unallocated income respectively.

3. EXCEPTIONAL ITEMS AND OTHER FINANCIAL MEASURES

	26 weeks to 1 Oct 2018 £m	26 weeks to 2 Oct 2017 £m	*52 weeks to 2 Apr 2018 £m*
Amounts included in operating profit			
Profit on sales of properties[1]	**0.3**	0.3	*0.3*
Tenant compensation[2]	**–**	(2.8)	*(2.8)*
Net acquisition costs[3]	**–**	(0.3)	*(1.2)*
Loss on disposal of properties[4]	**–**	(0.5)	*(0.5)*
Onerous lease provision released on disposal of property[4]	**–**	0.5	*0.5*
Upward movement on the revaluation of properties (note 8)[5]	**–**	–	*2.1*
Downward movement on the revaluation of properties (note 8)[5]	**–**	–	*(1.8)*
	0.3	(2.8)	*(3.4)*
Exceptional tax			
Tax attributable to exceptional items	**(0.1)**	0.1	*0.4*
	(0.1)	0.1	*0.4*
Total exceptional items after tax	**0.2**	(2.7)	*(3.0)*

[1] The profit on sales of properties related to the difference between cash, less selling costs, received from the sales of the King's Arms (Mitcham) and the William IV (Redhill) and the carrying value of their assets at the dates of sale.

[2] In the previous period, the group paid £2.8 million to the previous tenants of the Hope & Anchor (Brixton), Grove (Camberwell) and the King's Arms (Wandsworth) to terminate their lease agreements early.

[3] The net acquisition costs in the previous period related to professional fees and stamp duty arising on the acquisition of the Chequers Inn (Hanham Mills).

[4] The loss on disposal of properties in the previous period related to the difference between cash, less selling costs, received from the sale of the Court House (Dartford) and the carrying value of the net assets at the date of sale. Previously, an onerous lease was recognised in respect of the property which was subsequently released on disposal.

[5] The upward movement on the revaluation of properties in the previous 52 week period related to a reversal of previous downward valuations in the income statement and the downward movement on the revaluation of properties related to an impairment charge.

Other financial measures

The table below shows how adjusted group EBITDA, operating profit and profit before tax have been arrived at. These alternative performance measures have been provided as the board believes that they give useful additional measures of the group's underlying performance.

	26 weeks to 1 Oct 2018 £m	26 weeks to 2 Oct 2017 £m	*52 weeks to 2 Apr 2018 £m*
Profit before tax	**26.4**	22.1	*37.6*
Operating exceptional items	**(0.3)**	2.8	*3.4*
Adjusted profit before tax	**26.1**	24.9	*41.0*
Net finance costs	**2.4**	2.7	*5.6*
Other finance charges	**0.1**	0.2	*0.3*
Adjusted operating profit	**28.6**	27.8	*46.9*
Depreciation and amortisation	**11.8**	10.8	*21.8*
Adjusted EBITDA	**40.4**	38.6	*68.7*

4. TAXATION

The taxation charge for the 26 weeks ended 1 October 2018 has been calculated by applying an estimate of the effective tax rate before exceptional items for the 52 weeks ending 1 April 2019 at 21.1% (2018: 19.3%).

Tax charged in the group income statement	**26 weeks to 1 Oct 2018 £m**	26 weeks to 2 Oct 2017 £m	*52 weeks to 2 Apr 2018 £m*
Current tax			
Corporation tax expense	**5.9**	5.6	*8.7*
	5.9	5.6	*8.7*
Deferred tax			
Origination and reversal of temporary differences	**(0.3)**	(0.9)	*(1.2)*
	(0.3)	(0.9)	*(1.2)*
Tax expense	**5.6**	4.7	*7.5*

Deferred tax in the group income statement			
Property revaluation and disposals	**–**	(0.6)	*(0.5)*
Retirement benefit schemes	**0.1**	0.1	*0.2*
Capital allowances	**(0.5)**	(0.5)	*(0.9)*
Share based payments	**0.1**	0.1	*–*
Tax credit	**(0.3)**	(0.9)	*(1.2)*

Deferred tax in the group statement of comprehensive income			
Interest rate swaps	**0.1**	0.4	*0.7*
Retirement benefit schemes	**0.2**	0.7	*1.0*
Property revaluation and disposals	**(0.1)**	(0.7)	*3.5*
Tax expense	**0.2**	0.4	*5.2*

The reduction in the headline rate of corporation tax from 19% to 17% applicable from 1 April 2020 was substantively enacted on 15 September 2016. Accordingly, the deferred tax balances have been measured at 17%.

5. EARNINGS PER ORDINARY SHARE

(a) Earnings

	26 weeks to 1 Oct 2018 £m	26 weeks to 2 Oct 2017 £m	*52 weeks to 2 Apr 2018 £m*
Profit attributable to equity shareholders of the parent	**20.8**	17.4	*30.1*
Operating exceptional items	**(0.3)**	2.8	*3.4*
Tax attributable to above adjustments	**0.1**	(0.1)	*(0.4)*
Adjusted earnings after tax	**20.6**	20.1	*33.1*

	Number	Number	*Number*
Basic weighted average number of ordinary shares in issue	**48,919,596**	48,851,159	*48,862,927*
Dilutive potential ordinary shares from outstanding employee share options	**50,343**	35,615	*33,413*
Diluted weighted average number of shares	**48,969,939**	48,886,774	*48,896,340*

(b) Basic earnings per share

	Pence	Pence	*Pence*
Basic	**42.52**	35.62	*61.60*
Effect of exceptional items and other adjustments listed above	**(0.41)**	5.53	*6.14*
Adjusted basic	**42.11**	41.15	*67.74*

(c) Diluted earnings per share

	Pence	Pence	*Pence*
Diluted	**42.48**	35.59	*61.56*
Effect of exceptional items and other adjustments listed above	**(0.41)**	5.53	*6.13*
Adjusted diluted	**42.07**	41.12	*67.69*

The basic earnings per share figure is calculated by dividing the net profit for the period attributable to equity shareholders of the parent by the weighted average number of ordinary shares in issue during the period. Diluted earnings per share have been calculated on a similar basis taking into account 50,343 (2017: 35,615) dilutive potential shares under the group's SAYE scheme.

Adjusted earnings per share are presented to eliminate the effect of the exceptional items on basic and diluted earnings per share.

6. DIVIDENDS ON EQUITY SHARES

	26 weeks to 1 Oct 2018 Pence	26 weeks to 2 Oct 2017 Pence	*52 weeks to 2 Apr 2018 Pence*
Final dividend (previous period)	**10.20**	9.62	*9.62*
Interim dividend (current period)	**–**	–	*9.41*
	10.20	9.62	*19.03*

The table above sets out dividends that have been paid. The interim dividend, in respect of the period ended 1 October 2018, of 9.97 pence per share at a cost of £4.9 million is expected to be paid on 7 December 2018 to shareholders on the register at the close of business on 23 November 2018.

7. NET CASH GENERATED FROM OPERATIONS AND ANALYSIS OF NET DEBT

	26 weeks to 1 Oct 2018 £m	26 weeks to 2 Oct 2017 £m	*52 weeks to 2 Apr 2018 £m*
Profit before tax	**26.4**	22.1	*37.6*
Finance costs	**2.4**	2.7	*5.6*
Other finance charges	**0.1**	0.2	*0.3*
Operating profit	**28.9**	25.0	*43.5*
Depreciation	**11.4**	10.3	*21.1*
Amortisation of lease premiums	**0.4**	0.3	*0.7*
Movement on the revaluation of property	**–**	–	*(0.3)*
Goodwill impairment	**–**	0.2	*0.2*
Net (profit)/loss on sales of property	**(0.3)**	0.2	*0.2*
Movement in provisions	**(0.1)**	(0.5)	*0.1*
Difference between pension service cost and cash contributions paid	**(0.7)**	(0.7)	*(1.2)*
Share based payments	**0.1**	0.3	*0.6*
Movements in working capital			
– Inventories	**(0.3)**	(0.2)	*(0.2)*
– Receivables	**(2.0)**	0.1	*0.4*
– Payables	**1.2**	(1.8)	*(3.7)*
Net cash generated from operations	**38.6**	33.2	*61.4*

Analysis of group net debt

	At 1 Oct 2018 £m	At 2 Oct 2017 £m	*At 2 Apr 2018 £m*
Cash	**6.4**	5.4	*7.2*
Current borrowings and loan capital	**(9.5)**	(9.0)	*(10.0)*
Non current borrowings – loan capital and finance lease	**(122.3)**	(114.1)	*(137.7)*
Net debt	**(125.4)**	(117.7)	*(140.5)*

8. PROPERTY AND EQUIPMENT

	Land & buildings £m	Fixtures, fittings & equipment £m	Total £m
Cost or valuation			
At 3 April 2017	647.3	121.3	768.6
Additions	9.3	20.7	30.0
Business combinations	12.7	3.5	16.2
Disposals	(1.0)	–	(1.0)
Transfer from lease premium	0.4	–	0.4
Fully depreciated assets	(0.7)	(11.3)	(12.0)
Revaluation			
– effect of upward movement in property valuation	32.5	–	32.5
– effect of downward movement in property valuation	(4.9)	–	(4.9)
At 2 April 2018	695.6	134.2	829.8
Additions	2.9	10.6	13.5
Disposals	(1.1)	(0.3)	(1.4)
Fully depreciated assets	(0.2)	(8.8)	(9.0)
At 1 October 2018	**697.2**	**135.7**	**832.9**
Depreciation and impairment			
At 3 April 2017	30.5	49.0	79.5
Depreciation charge	1.8	19.3	21.1
Transfer from lease premium	0.2	–	0.2
Fully depreciated assets	(0.7)	(11.3)	(12.0)
Revaluation			
– effect of downward movement in property valuation	1.8	–	1.8
– effect of upward movement in property valuation	(3.7)	–	(3.7)
At 2 April 2018	29.9	57.0	86.9
Depreciation charge	0.9	10.5	11.4
Disposals	(0.4)	(0.1)	(0.5)
Fully depreciated assets	(0.2)	(8.8)	(9.0)
At 1 October 2018	**30.2**	**58.6**	**88.8**
Net book value			
At 3 April 2017	616.8	72.3	689.1
At 2 April 2018	665.7	77.2	742.9
At 1 October 2018	**667.0**	**77.1**	**744.1**

8. PROPERTY AND EQUIPMENT (continued)

Revaluation of property and equipment

The values of the group's freehold land, freehold and long leasehold buildings and fixtures and fittings were reviewed in light of current market factors by Andrew Cox MRICS, the group's director of property and tenancies and a Chartered Surveyor, pursuant to the group's accounting policy. The values of the group's properties have not been updated as at 1 October 2018 from their year-end market values as there has been no material change in the current period. Details of the methodology used, key inputs and their sensitivities, and the assumptions in determining the group's property values are detailed in the group's audited accounts for the 52 weeks ended 2 April 2018.

9. RETIREMENT BENEFIT SCHEMES

The table below summarises the movement in the retirement benefit schemes' deficit in the period.

	26 weeks to 1 Oct 2018 £m	26 weeks to 2 Oct 2017 £m	*52 weeks to 2 Apr 2018 £m*
Changes in the present value of the retirement benefit schemes are as follows:			
Opening deficit	**(6.1)**	(12.8)	*(12.8)*
Current service cost	**(0.1)**	(0.2)	*(0.3)*
Contributions	**0.8**	0.9	*1.5*
Other finance charges	**(0.1)**	(0.2)	*(0.3)*
Remeasurement through other comprehensive income	**1.2**	4.4	*5.8*
Closing deficit	**(4.3)**	(7.9)	*(6.1)*

On 26 October 2018, the High Court issued a judgement in a claim involving Lloyds Banking Group's defined benefit pension schemes. This judgement concluded that the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension (GMP) benefits. The case outlined a number of potential approaches to achieve the equalisation of GMPs. Whilst the ruling may be subject to appeal, it is now probable that other companies', including the group, defined benefit schemes will be required to record additional liabilities.

The group is working with the scheme trustee and pension advisors to determine the potential impact. At this early stage, it is not possible to provide a reliable estimate because of the number of potential approaches, the long time period and the number of people in the scheme. Any adjustment necessary is expected to be recognised by the group in the second half of the period ending 1 April 2019.

10. SHARE CAPITAL

Total share capital comprises the nominal value of the share capital issued and fully paid of £6.1 million (2018: £6.1 million) and the share premium account of £6.7 million (2018: £5.7 million). Share capital issued in the period comprises a nominal value of £nil (2018: £nil) and a share premium of £1.0 million (2018: £0.5 million).

The shares issued in the current period relate to directors' and senior management's share awards and the exercise of share options under our SAYE scheme.

11. POST BALANCE SHEET EVENTS

There were no post balance sheet events apart from an exchange of contracts on the freehold of the People's Park Tavern (Victoria Park) and the issuing of the High Court judgement involving Lloyds Banking Group's defined benefit pension schemes (see note 9).

SENIOR PERSONNEL, COMMITTEES AND ADVISERS

Directors
Stephen Goodyear
Non-executive Chairman

Patrick Dardis
Chief Executive

Steven Robinson, FCA
Chief Financial Officer

Torquil Sligo-Young
Information Resources

Tracy Dodd
People

Roger Lambert
Non-executive Senior Independent

Trish Corzine
Non-executive

Nick Miller
Non-executive

Ian McHoul
Non-executive

Company Secretary
Anthony Schroeder

Audit committee
Roger Lambert (Chairman)
Stephen Goodyear
Trish Corzine
Nick Miller
Ian McHoul

Remuneration committee
Nick Miller (Chairman)
Roger Lambert
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Registered number 32762

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