ESTD 1831

YOUNG'S

Interim Report

For the 26 weeks ended 28 September 2020

Contents

Financial highlights

For the 26 weeks ended 28 September 2020

	2020 £m	2019 £m	% change
Revenue	55.1	168.2	-67.2
Adjusted EBITDA[1]	2.9	47.2	-93.9
Adjusted operating (loss)/profit[1]	(14.3)	30.9	–
Adjusted (loss)/profit before tax[1]	(19.2)	26.6	–
Net debt	203.8	227.2	–
Net debt to EBITDA[2]	5.8x	2.7x	–
Operating (loss)/profit	(16.9)	28.6	–
(Loss)/profit before tax	(21.8)	24.3	–
Adjusted basic (loss)/earnings per share[1]	(31.06)p	42.85p	–
Basic (loss)/earnings per share	(35.70)p	38.16p	–
Interim dividend per share	–	10.57p	–

All of the results above are from continuing operations.

1 Reference to an "adjusted" item means that item has been adjusted to exclude non-underlying items (see note 3).

2 Net debt to EBITDA has been calculated based on the last 12 months' actual EBITDA of £35.3 million (see note 3).

Interim statement

Born in 1831, our business recently celebrated 189 years and the last six months have been one of the toughest periods in that incredible journey.

After closing in March 2020, our pubs remained shut for the majority of the first four months of the period. Although the Government relaxed restrictions on our sector from 4 July, we decided to take a more cautious approach, to take more time, and re-open all our managed houses on 20 July. For the period, total revenue was £55.1 million, with adjusted EBITDA of £2.9 million, down from £47.2 million.

The lengthy 16 weeks' closure has had a significant impact on our results, and the business had an initial cash burn between £4.0 million to £5.0 million a month. It was the closure period that solely contributed to an operating loss of £16.9 million, and a loss before tax of £21.8 million. When excluding our £2.6 million of adjusting items, we recognised an adjusted operating loss of £14.3 million and an adjusted loss before tax of £19.2 million. During lockdown, a lot of hard work went into streamlining our business so that upon re-opening we were in a strong position; this was demonstrated by the full trading periods of August and September when our operating margin was at 12.1% with an adjusted operating profit of £5.9 million.

The decision to delay the re-opening of our pubs by three weeks, until 20 July, allowed us to put in place all the necessary covid-19 safety protocols without compromising on the great Young's pub experience. Our managers had the time to thoroughly re-train our returning teams, dust away any cobwebs from the shuttered summer months and prepare our wonderful pubs ready to welcome back our loyal customers.

During our time away, we set about future proofing our business and a lot of the good work that went on during the lockdown weeks was evident when we re-opened. Our Young's app, which we began developing 5 years ago, was further improved with added functionality allowing customers to browse menus, order food and drinks to their table, and split pay their bills.

Soon after the year-end, we strengthened our liquidity position by refinancing the £50.0 million term loan due to expire in 2021 and replaced it with a longer-term five-year facility. We also accessed £30.0 million from the Bank of England under the Covid Corporate Financing Facility ("CCFF"), secured a further £20.0 million revolving credit facility with NatWest and re-negotiated the covenants with our banks and the holders of our senior secured notes for the period up until June 2021.

The placing of new shares in June raised net proceeds of £84.8 million and provides vital funding for the short term, strengthening our balance sheet as we continue to live in uncertain times, as well as allowing us to look forward towards longer-term plans. This has enabled us to kick off our 18-month investment programme from this autumn, with projects at five pubs already completed and works restarted at two recent acquisitions. It also provides sufficient headroom if the right acquisition opportunities were to present themselves.

We were grateful for the initial level of support provided by the Government and took advantage of available schemes where possible to minimise disruption to our business. The furlough scheme helped us retain a large proportion of our near 5,000 strong workforce whilst our pubs remained shut. The business rates holiday saved us £7.7 million in the period and sat alongside the receipt of some business rate grants. The "Eat Out to Help Out" campaign, which was hugely successful for many businesses in our sector, including ourselves, encouraged customers back into pubs and restaurants throughout August. Unfortunately, despite all our hard work over the last few months the latest restrictions and tiered system are hugely disappointing for our sector.

Business review

Managed houses

Total revenue for the period was £52.1 million. For the ten weeks of trading, our managed house like-for-like revenue was at 80.7% of last year. The adjusted operating loss for the period was £7.5 million, down from a profit of £38.0 million in the comparative period. Confident in our customers' appetite to return, we decided to trade all our managed houses, setting the tone that "Young's was open for business".

After a slow start, customer confidence improved, reflecting the safety measures introduced and accompanied by our popular social media marketing, the "Responsible Arms, socialising responsibly since 1831", which set the scene on what a visit to the pub would look like. As a business we benefitted from the Government funded "Eat Out to Help Out" campaign, serving over 370,000 customers during August, which boosted midweek footfall with diners attracted by the headline 50% discount. Supported by some glorious summer weather, we were able to maximise the use of our generous outdoor trading areas and sales for the month were at approximately 90% of last year on a like-for-like basis.

In September, messaging from the Government changed: it went from "eat out on us" to the introduction of restrictions on group numbers, full table service, requirements on face coverings to be worn by staff and customers and a 10pm curfew, all of which negatively affected trading to approximately 80% of last year.

Location has also played its part, with sales across our estate varying dramatically based on a pub's geography. Our pubs and hotels in the South West have delivered growth against last year, whether they be in Devon, by the coast or in the Cotswolds, all benefitting from the staycation and weekend visitors keen to take their 2020 summer holidays in this country. For those pubs in the London suburbs and commuter towns, sales have been on average down by 15% on last year. But there have been positives, we have welcomed new customers with more people around in the week looking for an escape from their home office or for an evening trip to the pub. Much has been written about the impact from the dramatic decline in the numbers of office workers, commuters, and tourists, particularly in Central London and the City; our many pubs here have been hit exceptionally hard, with sales only averaging around half the levels of last year.

The decline of trade in London has also been affected by the restrictions on vertical drinking which contributed to a 23.2% decline in like-for-like drink sales for the ten weeks of trade. This has had a considerable effect on all draught categories with volumes tracking 25% down on last year. One area in growth has been cocktails, up around 20%, as customers can now browse menus on their smartphones from the comfort of their chair and trade up from traditional spirits.

The pandemic has accelerated changes in the great British pub and the customer journey. Although previously adopted at some pubs, customers are now greeted by a friendly host upon arrival, shown to their table and asked to log personal details for track and trace. To help reduce contact further, they are also invited to download the updated Young's app which now allows customers to view our menus and order a Young's classic burger, or a daily chef special alongside a post-dinner cocktail, all from their phones, with delivery direct to their tables.

The decline of our food sales has not been as marked as drink, and like-for-like sales were only down 4.7% for ten weeks. "Eat Out to Help Out" was a huge boost in driving footfall through the early midweek days in August and our head chefs looked to capitalise during this time by enticing customers to trade up with a wonderful selection of premium dishes such as "posh surf & turf", rack of Dorset lamb and Beef Wellington on offer to share. With the Government having introduced a reduced VAT rate on food and soft drinks, we made the decision to pass on this price benefit to our customers throughout the trading period up until the end of September, equating to sales and profit of £2.9 million.

Geography has also played its part in the demand for hotel rooms and has varied greatly across the estate. With more than 50% of our hotel room stock located in London boroughs where occupancy was just 27.0%, the decline of footfall in the city has had a significant impact on the overall performance of our room sales. This is in stark contrast to our staycation friendly locations such as Burnham-On-Sea, Canford, Instow and Stow-on-the-Wold where the average occupancy was up at 83.2%. The remaining rooms in the Home Counties saw occupancy levels of 49.4%. Overall, for the ten weeks of trading, our accommodation sales were down by 46.7%, with an average room rate of £78.92 and RevPAR of £33.13.

During the period, we invested £3.7 million in our existing estate, primarily focussed on projects forced to close down back in March. This summer, we completed schemes at the Green Man (Putney), Seagate Hotel (Appledore), City Gate (Exeter) and the Bear Hotel (Esher), all of which opened only a couple of weeks later than the rest of the estate.

At the start of the period, we transferred the Spread Eagle (Wandsworth) and the Royal Oak (Bethnal Green) from our tenanted division. Following our exit from the lease of the Surprise (Chelsea), we ended the period with 208 managed houses (including 30 hotels), up from 200 at the end of the same period last year.

The Ram Pub Company

For our tenanted division, it has also been an extremely challenging period, with all businesses unable to start trading until 4 July when the Government lifted restrictions. We were one of the first pub companies to confirm support for our tenants, with rent holiday periods dating from 16 March until the point of re-opening in early July. Unlike rent deferrals, this gave our tenants rent-free periods without the worry of paying this back in the future. For the majority of our tenanted businesses, the latest round of restrictions will have significant implications on the way they operate given the limited personal contact permitted inside hospitality venues and the lack of opportunities for wet-led pubs with limited external trading space. We continue to work with them to address their particular challenges.

In the period, Ram Pub Company total sales were £2.8 million, down from £6.4 million, resulting in an adjusted operating profit of £0.6 million, compared to an adjusted operating profit last year of £2.4 million.

We continue to review our tenanted estate exiting unfavourable leases and offloading freehold properties where we feel the pub's sustainability is in question. During the period, we exercised the break clause on the lease of the Black Cat (Catford), decided not to renew an expired lease at the Greyhound (Hendon) and sold the freehold of the Horse Pond Inn (Castle Cary). At the start of the financial year, we transferred the Spread Eagle (Wandsworth) and Royal Oak (Bethnal Green) to our managed houses, reducing the Ram Pub Company to an estate of 64 pubs.

Whilst all investment in the Ram Pub Company was put on hold at the start of lockdown, we were able to complete projects at the Rising Sun (Epsom) and the Watermans Arms (Richmond). Even in the unprecedented times we find ourselves in, continued investment remains vitally important to ensure our pubs are maintained to a high standard to attract and retain the right tenants.

Investment and finance

Period adjusting items totalled a cost of £2.6 million, compared with a cost of £2.3 million last year. There were anticipated group reorganisation costs of £1.4 million relating to stamp duty and legal costs incurred when transferring the business and assets of Spring Pub Company Limited, a group of five pubs acquired last year, into the Young's business. In line with our strategy of investing for future growth, £0.5 million related to tenant compensation for the Royal Oak (Bethnal Green). Restructuring costs of £0.5 million related to the reorganisation of head office functions in light of the covid-19 pandemic, and the remaining £0.2 million was a loss on disposal from the Horse Pond Inn (Castle Cary), a Ram Pub Company property classified as an asset held for sale at the year-end.

At the start of the period, it became evident that the covid-19 pandemic would present us with significant and unprecedented challenges. We moved quickly to improve our financial position both on a long-term and short-term basis. We refinanced the £50.0 million term loan that was due to expire in March 2021, with a new five-year facility that takes us to 2025. This facility also has two one-year extension options that could take it out to 2027. On a short-term basis, Young's issued £30.0 million in commercial paper under the CCFF and we also obtained an additional new £20.0 million committed facility from NatWest. This gave us £285.0 million of committed facilities, of which £235.0 million are committed beyond 12 months. Aligned to the additional banking facilities, we have worked with our banks and note holders on replacing the quarterly covenant tests with a monthly £20.0 million liquidity test through to the end of June 2021.

In June, we also completed an equity issue raising net proceeds of £84.8 million. The primary purposes were to provide us with the financial flexibility to kickstart our investment programme in our estate this year, whilst also further strengthening our liquidity and the ability to pursue opportunistic acquisitions.

Our net debt since the year-end reduced by £76.6 million to £203.8 million as a result of the proceeds from the equity issue, offset by investment in the estate which was at lower levels than planned; cash generation was also reduced due to the pandemic. At the period end, we had cash of £39.8 million and drawn down banking facilities of £165.0 million, giving us bank debt headroom of £159.8 million.

The additional liquidity headroom that we have in place provides us with a degree of security in the face of further extended closure periods or significant reductions in trade due to the pandemic. We have modelled a number of scenarios ranging from the current disruption of a four week lockdown from 5 November followed by a return to trade with restrictions, through to periods of extended Government enforced closure. The first lockdown period, where our pubs were shut for four months, demonstrated our ability, with support primarily via the furlough scheme and the business rates holiday, to limit our monthly cash burn to between £4.0 million and £5.0 million. This gives us the confidence that, with similar levels of Government support, such as the now extended furlough scheme, we have the liquidity headroom to see us through any further enforced lengthy closure periods.

Whilst we are confident of our liquidity headroom for the foreseeable future, given the uncertainty over trade, particularly with the four-week circuit breaker, compliance with the "original" covenants with our banks and the holders of our senior secured notes for the June 2021 test date and beyond remains a material uncertainty. The group is in regular dialogue with its lenders and, should such a scenario arise, the group would expect to discuss potential remedies with them, including an extension of the covenant changes agreed already, well in advance of June 2021.

The company announced in May that in view of the ongoing closure of the company's pubs, the expected lower levels of trade when they re-opened and the terms of the new £20.0 million revolving credit facility with NatWest, the company would not be paying an interim dividend.

Current trading and outlook

Since the period end and prior to the latest lockdown, trading had been encouraging, with the business achieving 73% of last year's sales, despite additional Government restrictions and introduction of Tier 2 status for London which affected 80% of our managed estate.

Following the latest national lockdown introduced last week, all our pubs closed on 5 November. Whilst we were hoping that a further lockdown could have been avoided, the second lockdown with the financial support available from the Government will be considerably less damaging to our business than the potential move to Tier 3. For the four-week closure we would expect a cash burn of between £4.0 million and £5.0 million, achieved by the reintroduction of the Coronavirus Job Retention Scheme. We are hopeful that when we re-open on 3 December, we will see the back of the 10pm curfew and London moves to Tier 1.

We remain positive at the prospect of trading in December. Unfortunately, the typical excitement of the festive period and the opportunities this usually brings us has been replaced with uncertainty. At this time, we would usually have 90% of bookings already in the diary; without the prospect of hosting large group get-togethers, corporate Christmas parties and spontaneous festive drinks, the outlook for this December is far from certain.

The resilience of our customers has truly amazed us. The cautious approach we adopted on re-opening and the safe environment we provided were key reasons why our customers flocked back in large numbers, even with the heightened restrictions. This gives us confidence in the future of our pubs, our business and our long-term strategy.

Patrick Dardis
Chief Executive

11 November 2020

Independent review report to the members of Young & Co.'s Brewery, P.L.C.

For the 26 weeks ended 28 September 2020

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 28 September 2020 which comprises 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 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 company are prepared in accordance with IFRS's as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with 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 half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "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 28 September 2020 is not prepared, in all material respects, in accordance the accounting policies outlined in note 1, which comply with IFRS's as adopted by the European Union, and in accordance with AIM Rules issued by the London Stock Exchange.

Independent review report to the members of Young & Co.'s Brewery, P.L.C.

For the 26 weeks ended 28 September 2020 continued

Emphasis of matter – material uncertainty relating to going concern

We draw attention to note 1 of the condensed set of financial statements, which indicates that the ongoing coronavirus pandemic results in an uncertainty as to whether the group will be able to comply with its banking covenants from 30 June 2021 onwards. As stated in note 1, this event or condition, along with other matters as set out in note 1, indicates that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of matter – material valuation uncertainty on the fair value of the freehold pub estate

In forming our opinion on the condensed set of financial statements, which is not modified, we considered the adequacy of the disclosure made in note 9 of the condensed set of financial statements concerning the material valuation uncertainty in the assessment of fair value of the freehold pub estate. Our conclusion is not modified in respect of this matter.

Ernst & Young LLP,
London

11 November 2020

Group income statement

For the 26 weeks ended 28 September 2020

	Notes	**Unaudited 26 weeks to 28 Sep 2020 £m**	Unaudited 26 weeks to 30 Sep 2019 £m	*Audited 52 weeks to 30 Mar 2020 £m*
Revenue	2	**55.1**	168.2	*311.6*
Other income	4	**0.3**	–	*–*
Operating costs before adjusting items		**(69.7)**	(137.3)	*(265.1)*
Adjusted operating (loss)/profit	2	**(14.3)**	30.9	*46.5*
Adjusting items	3	**(2.6)**	(2.3)	*(8.6)*
Operating (loss)/profit		**(16.9)**	28.6	*37.9*
Finance costs		**(4.8)**	(4.2)	*(8.6)*
Finance charge for pension obligations	11	**(0.1)**	(0.1)	*(0.2)*
(Loss)/profit before tax		**(21.8)**	24.3	*29.1*
Income tax credit/(expense)	5	**2.6**	(5.6)	*(9.8)*
(Loss)/profit for the period attributable to shareholders of the parent company		**(19.2)**	18.7	*19.3*

		Pence	Pence	*Pence*
(Loss)/earnings per 12.5p ordinary share				
Basic	6	**(35.70)**	38.16	*39.37*
Diluted	6	**(35.70)**	38.13	*39.35*

All of the results above are from continuing operations.

Group statement of comprehensive income

For the 26 weeks ended 28 September 2020

	Notes	**Unaudited 26 weeks to 28 Sep 2020 £m**	Unaudited 26 weeks to 30 Sep 2019 £m	*Audited 52 weeks to 30 Mar 2020 £m*
(Loss)/profit for the period		**(19.2)**	18.7	*19.3*
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss:				
Unrealised loss on revaluation of property		**–**	–	*(9.3)*
Remeasurement of retirement benefit schemes	11	**(9.2)**	(4.9)	*(0.7)*
Tax on above components of other comprehensive income	5	**1.8**	0.9	*(3.1)*
Items that will be reclassified subsequently to profit or loss:				
Fair value movement of interest rate swaps		**0.1**	(0.2)	*0.4*
Tax on fair value movement of interest rate swaps	5	**–**	0.1	*–*
		(7.3)	(4.1)	*(12.7)*
Total comprehensive (loss)/income attributable to shareholders of the parent company		**(26.5)**	14.6	*6.6*

Group balance sheet

At 28 September 2020

	Notes	**Unaudited at 28 Sep 2020 £m**	Unaudited at 30 Sep 2019 £m	*Audited at 30 Mar 2020 £m*
Non-current assets				
Goodwill		**32.5**	29.2	*32.5*
Property and equipment	9	**762.0**	755.0	*771.1*
Right-of-use assets	10	**159.9**	145.4	*163.4*
Deferred tax assets		**10.5**	8.3	*8.3*
		964.9	937.9	*975.3*
Current assets				
Inventories		**3.7**	3.9	*3.3*
Trade and other receivables		**8.2**	8.8	*9.3*
Income tax receivable		**2.1**	–	*0.1*
Cash		**39.8**	9.3	*1.1*
		53.8	22.0	*13.8*
Asset held for sale		**–**	–	*0.5*
Total assets		**1,018.7**	959.9	*989.6*
Current liabilities				
Borrowings		**(29.8)**	–	*(50.0)*
Lease liabilities		**(5.0)**	(5.0)	*(5.3)*
Derivative financial instruments		**(2.2)**	(2.1)	*(2.4)*
Trade and other payables		**(33.9)**	(33.2)	*(33.3)*
Income tax payable		**–**	(6.1)	*–*
		(70.9)	(46.4)	*(91.0)*
Non-current liabilities				
Borrowings		**(133.3)**	(163.7)	*(149.2)*
Lease liabilities		**(75.5)**	(67.8)	*(77.0)*
Derivative financial instruments		**(3.4)**	(4.2)	*(3.3)*
Deferred tax liabilities		**(69.8)**	(60.5)	*(69.9)*
Retirement benefit schemes	11	**(16.8)**	(13.0)	*(8.2)*
Other liabilities		**(0.1)**	(0.3)	*(0.2)*
		(298.9)	(309.5)	*(307.8)*
Total liabilities		**(369.8)**	(355.9)	*(398.8)*
Net assets		**648.9**	604.0	*590.8*
Capital and reserves				
Share capital	12	**7.3**	6.1	*6.1*
Share premium	12	**7.5**	7.4	*7.5*
Capital redemption reserve		**1.8**	1.8	*1.8*
Hedging reserve		**(4.3)**	(4.9)	*(4.4)*
Revaluation reserve		**248.5**	295.2	*248.4*
Retained earnings		**388.1**	298.4	*331.4*
Total equity		**648.9**	604.0	*590.8*

Group statement of changes in equity

For the 26 weeks ended 28 September 2020

	Notes	Share capital and premium £m	Capital redemption reserve £m	Hedging reserve £m	Revaluation reserve £m	Retained earnings £m	Total equity £m
At 30 March 2020		**13.6**	**1.8**	**(4.4)**	**248.4**	**331.4**	**590.8**
Total comprehensive income							
Loss for the 26 week period		–	–	–	–	(19.2)	(19.2)
Other comprehensive income							
Remeasurement of retirement benefit schemes	11	–	–	–	–	(9.2)	(9.2)
Fair value movement of interest rate swaps		–	–	0.1	–	–	0.1
Tax on above components of other comprehensive income	5	–	–	–	0.1	1.7	1.8
Total comprehensive loss		–	–	0.1	0.1	(26.7)	(26.5)
Transactions with owners recorded directly in equity							
Issued equity[1]	12	1.2	–	–	–	83.6	84.8
Share-based payments		–	–	–	–	(0.2)	(0.2)
		1.2	–	–	–	83.4	84.6
At 28 September 2020		**14.8**	**1.8**	**(4.3)**	**248.5**	**388.1**	**648.9**
At 2 April 2019		**12.8**	**1.8**	**(4.8)**	**261.5**	**322.5**	**593.8**
Total comprehensive income							
Profit for the 26 week period		–	–	–	–	18.7	18.7
Other comprehensive income							
Remeasurement of retirement benefit schemes	11	–	–	–	–	(4.9)	(4.9)
Fair value movement of interest rate swaps		–	–	(0.2)	–	–	(0.2)
Tax on above components of other comprehensive income	5	–	–	0.1	0.1	0.8	1.0
Total comprehensive income		–	–	(0.1)	0.1	14.6	14.6
Transactions with owners recorded directly in equity							
Issued equity	12	0.7	–	–	–	–	0.7
Dividends paid on equity shares		–	–	–	–	(5.3)	(5.3)
Share-based payments		–	–	–	–	0.1	0.1
Movement in shares held by Ram Brewery Trust II		–	–	–	–	0.2	0.2
Tax on share-based payments		–	–	–	–	(0.1)	(0.1)
		0.7	–	–	–	(5.1)	(4.4)
At 30 September 2019		**13.5**	**1.8**	**(4.9)**	**261.6**	**332.0**	**604.0**

1 During the period, the group raised proceeds of £84.8 million, net of transaction costs. A cash box structure was used in such a way that merger relief was available under Companies Act 2006, section 612, and thus no share premium was recorded. As the redemption of the cash box entity's preference shares was in the form of cash, the transaction was treated as qualifying consideration and the premium is therefore considered to be a realised profit.

Group statement of cash flow

For the 26 weeks ended 28 September 2020

	Notes	**Unaudited 26 weeks to 28 Sep 2020 £m**	Unaudited 26 weeks to 30 Sep 2019 £m	*Audited 52 weeks to 30 Mar 2020 £m*
Operating activities				
Net cash generated from operations	8	**–**	42.2	*72.5*
Tax paid		**–**	(4.5)	*(13.5)*
Net cash flow from operating activities		**–**	37.7	*59.0*
Investing activities				
Proceeds from disposal of property and equipment		**0.4**	0.1	*1.0*
Purchases of property and equipment	9	**(4.2)**	(14.4)	*(32.7)*
Business combinations, net of cash acquired	9	**–**	(2.9)	*(35.3)*
Right-of-use assets acquired		**–**	–	*(0.2)*
Net cash used in investing activities		**(3.8)**	(17.2)	*(67.2)*
Financing activities				
Issued equity, net of transaction costs	12	**84.8**	–	*–*
Interest paid		**(4.6)**	(3.0)	*(8.6)*
Equity dividends paid		**–**	(5.3)	*(10.5)*
Payments of principal portion of lease liabilities		**(2.2)**	(3.9)	*(8.1)*
Repayments of borrowings	1	**(115.5)**	(42.5)	*(8.5)*
Proceeds from borrowings	1	**80.0**	35.0	*36.5*
Net cash flow used in financing activities		**42.5**	(19.7)	*0.8*
Increase/(decrease) in cash		**38.7**	0.8	*(7.4)*
Cash at the beginning of the period		**1.1**	8.5	*8.5*
Cash at the end of the period		**39.8**	9.3	*1.1*

Notes to the financial statements

1. Accounts

This interim report was approved by the board on 11 November 2020. 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 30 March 2020. 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 5, taxation, where the tax charge for the half year to 28 September 2020 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 interim report is presented in pounds sterling and all values are shown in millions of pounds (£m) rounded to the nearest £0.1 million, except where otherwise indicated.

Statutory accounts for the period ended 30 March 2020 have been delivered to the Registrar of Companies. The auditor's report on those accounts (i) was unqualified and (ii) contained two material uncertainties in respect of going concern to which the auditor drew attention by way of emphasis without modifying their opinion. That report did not contain a statement under s.498(2) or (3) of the Companies Act 2006.

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

New accounting standards

Covid-19 Related Rent Concessions – Amendment to IFRS 16

Amendments were made to IFRS 16 Leases to provide relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid pandemic.

As a practical expedient, the group elected not to assess whether covid-related rent concessions from a lessor were a lease modification; this resulted in 21 property leases becoming within scope of the amendment due to payment holidays or rent deferrals being granted directly as a result of the covid pandemic.

Adoption of the amendment has been applied retrospectively, however had no material impact on opening retained earnings, the opening lease liabilities or the opening right-of-use assets due to the timing of the rent concessions. The accounting treatment applied varied on a lease-to-lease basis dependent upon the specific conditions of each rent concession. In general, rent concessions were treated as a contingency that fixed previously variable lease payments. In such cases, the lease liabilities were remeasured, using the remeasured consideration, with a corresponding adjustment to the right-of-use assets. Where rent deferrals were agreed with only short-term timing differences, no changes were made to the lease liability payment schedule. In these cases, the lease liabilities and right-of-use assets remained unchanged, however a separate payable was reflected within trade and other payables in the balance sheet.

Other amendments to accounting standards applied from 31 March 2020 were as follows:

- Definition of Material – amendments to IAS 1 and IAS 8;
- Definition of a Business – amendments to IFRS 3;
- Revised Conceptual Framework for Financial Reporting; and
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7.

The application of these did not have a material impact on the group's accounting treatment and has therefore not resulted in any material changes.

Expansion to accounting policy

During the period, the group has expanded on the following accounting policy, previously stated in the statutory accounts for the 52 weeks ended 30 March 2020:

Government grants

Government grants represent monetary and non-monetary resources transferred to the group by the Government, government agencies or similar bodies. These are recognised at fair value when the group has reasonable assurance that it will comply with any conditions attached to the grant and that the grant will be received. Government grants are recognised in the income statement, on a systematic basis, over the same period during which the expenses, for which the grant was intended to compensate, are recognised. Grants relating to assets are presented as deferred income. See note 4.

Coronavirus Job Retention Scheme ('CJRS')

Under this scheme, HMRC reimburses up to 80% of the wages of certain employees who have been furloughed. The scheme is designed to compensate for staff costs, so amounts received are recognised in the income statement over the same period as the costs to which they relate. In the income statement, operating costs are shown net of grant income received.

Eat Out to Help Out

From 3 to 31 August, HMRC offered a 50% discount of food and non-alcoholic drinks, capped to £10 per person, when dining out between Monday and Wednesday. The group took advantage of this scheme. In the income statement, revenue includes amounts reimbursed from HMRC in respect of the scheme.

Business rates

Businesses in the retail, hospitality and leisure sectors in England do not have to pay business rates for the 2020 to 2021 tax year. No business rate charge has therefore been recognised in the income statement for the period ending 28 September 2020. Additionally, sites with a rateable value between £15,000 and £51,000 are eligible for a £25,000 grant with no further qualifying conditions. Income relating to the business rate grants has been recognised in other income in the income statement.

Covid Corporate Financing Facility ('CCFF')

One-year commercial paper issued to the Bank of England at a favourable yield is deemed to constitute a government grant. The debt has been recognised within current borrowings on the balance sheet at fair value, with the grant element, reflecting the favourable yield, recognised as deferred income within trade and other payables. On amortisation, the grant element has been recognised within finance costs, consistent with where the cost is recognised, as the group's policy is to present the income as a deduction from the related expense.

Going concern

As reported in June 2020, the group's financing position has been strengthened through both raising further debt and equity. Additional debt facilities have been obtained through accessing the CCFF, whereby £30.0 million of commercial paper with a maturity date of May 2021 was secured, alongside a new revolving credit facility of £20.0 million with NatWest for an initial period of one year to May 2021. Longer-term, the £50.0 million term loan due to expire in March 2021 was replaced with a five-year facility expiring in 2025. In June 2020, the group also completed an equity issue raising net proceeds of £84.8 million in the period, discussed in note 12.

At 28 September 2020, the group had cash of £39.8 million and committed borrowing facilities of £285.0 million, of which £165.0 million was drawn down. Facilities of £235.0 million are available through the going concern period to the end of November 2021, with no significant repayments immediately beyond

1. Accounts (continued)

that period. In addition, the group has access to further funding under the CCFF should it be required, although as this is not committed it has been excluded from the going concern assessment.

The group has also considered the effects of its latest forecasts on its compliance with bank covenants, which are tested each quarter on a 12 month rolling basis. In anticipation of covenant breaches arising due to the pub closures, the group agreed with its lenders that the financial covenants would be replaced by a monthly minimum debt headroom covenant, requiring the group to have £20.0 million of its available facilities undrawn at each month end until the quarter ending June 2021. In addition, they have waived any technical "cessation of business" breach of our banking facilities as a result of pubs being closed due to the coronavirus pandemic through to the quarter end June 2021. Although there is no material uncertainty about the group's ability to comply with the minimum debt headroom covenant, those banking covenants revert to the group's original financial covenants for the June 2021 covenant test.

Whilst the group's entire pub estate had re-opened by 20 July 2020 following an extended period of government enforced closure in response to covid, there remains a degree of uncertainty ahead, particularly given the Government's most recent enforced closures from 5 November 2020. As part of the directors' consideration of the appropriateness of adopting the going concern basis, the group has modelled several scenarios for the period to the end of November 2021. The key judgements applied are the extent of disruption to trading as a result of both the November forced closure, including the length of this closure, and the time period over which trading recovers once pubs can re-open again. The base model assumes that pubs re-open in early December 2020, followed by similar disruption to trading as was seen during the autumn. The more severe scenario includes further forced closures during January and February 2021 re-opening in March 2021. We have assumed no significant structural changes to the business will be needed in any of the scenarios modelled.

In the base case scenario, there is significant headroom under the revised minimum debt headroom covenant through to June 2021 and, if covenants were to revert back to the group's original financial covenants from June 2021 onwards, the covenants would be fully complied with through the going concern period. However, under the more severe scenario where pubs may be required to close for prolonged periods, the group would still comply with revised covenants to June 2021, but on reversion back to the original banking covenants from June 2021 onwards certain performance-based covenants would risk being breached and the group would not be compliant at the quarter ending June or September 2021.

Given the uncertainty over trade, particularly throughout the winter, the compliance with the original banking covenants for the June and September 2021 test dates remains a material uncertainty that casts significant doubt about the group's ability to continue as a going concern. The group is in regular dialogue with its lenders and, should such a scenario arise, the group is confident that it would be able to agree remedies, including an extension of the covenant changes agreed already, well in advance of June 2021.

Based on these forecasts and sensitivities, together with the potential remedies should a covenant breach occur as described above, the directors are confident that with the current debt levels, the ongoing debt structure in place and the recent equity raise, there are sufficient financial resources to meet all liabilities as they fall due until at least the end of November 2021. Accepting the material uncertainty that may cast doubt about the group's ability to continue as a going concern relating to the banking covenants from 30 June 2021, the board has a reasonable expectation that the group is able to manage its business risks and to continue in operational existence until at least the end of November 2021. Accordingly, the board continues to adopt the going concern basis in preparing the consolidated interim statements.

The interim statements do not contain the adjustments that would result if the company were unable to continue as a going concern.

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 adjusting items for the purpose of deciding on the allocation of resources and assessing performance.

The group has two operating segments: managed houses and Ram Pub Company. The managed house segment operates pubs. Revenue is derived from sales of drink, food and accommodation. Ram Pub Company consists of pubs owned or leased by the company and leased or subleased 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 and unlicensed properties.

	26 weeks to 28 Sep 2020 £m	26 weeks to 30 Sep 2019 £m	*52 weeks to 30 Mar 2020 £m*
Managed houses	**52.1**	161.3	*298.5*
Ram Pub Company	**1.5**	4.7	*8.8*
Revenue recognised under contracts with customers	**53.6**	166.0	*307.3*
Managed houses	–	0.3	*0.6*
Ram Pub Company	**1.3**	1.7	*3.3*
Rental income	**1.3**	2.0	*3.9*
Unallocated income	**0.2**	0.2	*0.4*
Total revenue	**55.1**	168.2	*311.6*
Adjusted operating (loss)/profit			
Managed houses	**(7.5)**	38.0	*59.9*
Ram Pub Company	**0.6**	2.4	*4.3*
Adjusted operating (loss)/profit before unallocated expense	**(6.9)**	40.4	*64.2*
Unallocated expense	**(7.4)**	(9.5)	*(17.7)*
Adjusted operating (loss)/profit	**(14.3)**	30.9	*46.5*
Adjusting items			
Managed houses	**(1.5)**	(2.2)	*(7.0)*
Ram Pub Company	**(0.6)**	–	*(1.4)*
Unallocated	**(0.5)**	(0.1)	*(0.2)*
Operating (loss)/profit	**(16.9)**	28.6	*37.9*
Finance costs	**(4.8)**	(4.2)	*(8.6)*
Finance charge for pension obligations	**(0.1)**	(0.1)	*(0.2)*
(Loss)/profit before tax	**(21.8)**	24.3	*29.1*

£0.2 million of unallocated income (2019: £0.2 million) is rental income derived from unlicensed properties.

Notes to the financial statements

Continued

3. Adjusting items and other financial measures

	26 weeks to 28 Sep 2020 £m	26 weeks to 30 Sep 2019 £m	*52 weeks to 30 Mar 2020 £m*
Amounts included in operating (loss)/profit			
Group reorganisation[1]	**(1.4)**	–	*–*
Covid restructuring[2]	**(0.5)**	–	*–*
Tenant compensation[3]	**(0.5)**	(1.5)	*(1.7)*
Loss on disposal of properties[4]	**(0.2)**	(0.5)	*(0.6)*
Acquisition costs[5]	**–**	(0.3)	*(1.0)*
Upward movement on the revaluation of properties (note 9)[6]	**–**	–	*1.7*
Downward movement on the revaluation of properties (note 9)[6]	**–**	–	*(7.0)*
	(2.6)	(2.3)	*(8.6)*
Tax on adjusting items			
Tax attributable to adjusting items	**0.1**	–	*(1.6)*
Total adjusting items after tax	**(2.5)**	(2.3)	*(10.2)*

1 The group reorganisation costs of £1.4 million related to the stamp duty land tax and associated legal and professional fees incurred on the transfer of the business and assets of Spring Pub Company Limited, a group of five sites acquired on 12 March 2020, to Young's. The cost was foreseen at the time of the acquisition in March 2020, but did not crystalise until the transfer happened in September 2020.

2 Covid restructuring costs of £0.5 million related to a reorganisation of the group's head office functions. These were largely made up of severance costs.

3 Tenant compensation of £0.5 million was paid to the previous tenants of the Royal Oak (Bethnal Green) and an unlicensed property (Wandsworth) to terminate their lease agreements early. During the previous 52 week period to 30 March 2020, tenant compensation of £1.7 million was paid to the previous tenants of the White Bear (Tunbridge Wells), New Inn (Ealing), Constitution (Camden) and an unlicensed property (Wandsworth) to terminate their lease agreements early.

4 The loss on disposal of properties related to the difference between cash, less disposal costs, received from the sale of the Horse Pond Inn (Castle Cary), the lease expiry of the Black Cat (Catford) and the lease expiry of the Surprise (Chelsea) and the carrying value of their assets, including goodwill, at the dates of disposal. In the prior period, the carrying value of the Horse Pond Inn was previously derecognised from property and equipment and instead classified as an asset held for sale. Proceeds of £0.4 million were recognised in respect of the sale of the Horse Pond Inn in the current period. During the previous 52 week period to 30 March 2020, the loss on disposal of properties related to the difference between cash, less disposal costs, received from the lease expiry of the Builder's Arms (Chelsea), termination of the lease of the Alphabet (Islington) and the sale of the Bristol Ram (Bristol) and the carrying value of their assets, including goodwill, at the dates of disposal.

5 During the previous 52 week period to 30 March 2020, the acquisition costs related to professional fees, stamp duty and stamp duty land tax arising on the acquisition of Spring Pub Company Limited, along with the White Bear (Tunbridge Wells) and the Constitution (Camden).

6 The net downward movement on the revaluation of properties in the previous 52 week period to 30 March 2020 related to net downward movements in excess of amounts recognised in equity. See note 9(1) in the statutory accounts for the period ended 30 March 2020 for further details.

Other financial measures

The table below shows how adjusted 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 and are the measures that the board uses to assess the group's performance.

	26 weeks to 28 Sep 2020 £m	26 weeks to 30 Sep 2019 £m	*52 weeks to 30 Mar 2020 £m*
(Loss)/profit before tax	**(21.8)**	24.3	*29.1*
Adjusting items	**2.6**	2.3	*8.6*
Adjusted (loss)/profit before tax	**(19.2)**	26.6	*37.7*
Net finance costs	**4.8**	4.2	*8.6*
Finance charge for pension obligations	**0.1**	0.1	*0.2*
Adjusted operating (loss)/profit	**(14.3)**	30.9	*46.5*
Depreciation and amortisation	**17.2**	16.3	*33.1*
Adjusted EBITDA	**2.9**	47.2	*79.6*

4. Government grants

During the period, the group was eligible for a number of government grant schemes which were introduced to mitigate the impact of covid. The impact of each scheme on the income statement for the 26 weeks to 28 September 2020 was as follows:

Government grant scheme	**Income statement line impacted**	**26 weeks to 28 Sep 2020 £m**
Eat Out to Help Out	Revenue	2.4
Business rate grant	Other income	0.3
Coronavirus Job Retention Scheme ('CJRS')	Operating costs before adjusting items	21.9
Covid Corporate Financing Facility ('CCFF')	Finance costs	0.1
Total government grants received		**24.7**

At 28 September 2020, £29.8 million has been recognised within current borrowings in the balance sheet representing the fair value of the CCFF, with a further £0.2 million recognised within trade and other payables as deferred income, representing the favourable conditions granted by the Government. In respect of the CJRS, £1.5 million remained outstanding at 28 September 2020, which has been recognised within trade and other receivables.

The group additionally took advantage of the business rate holiday, saving £7.7 million in the period, reduced 5% VAT on eligible sales and deferral of VAT payments for the tax year ending 2021. See note 1 (Expansion to accounting policy) for further information.

5. Taxation

The taxation charge for the 26 weeks ended 28 September 2020 has been calculated by applying an estimate of the effective tax rate before adjusting items for the 52 weeks ending 29 March 2021 at 10.1% (2019: 21.1%).

Tax charged in the group income statement	**26 weeks to 28 Sep 2020 £m**	26 weeks to 30 Sep 2019 £m	*52 weeks to 30 Mar 2020 £m*
Current tax			
Corporation tax (credit)/expense	**(2.0)**	5.9	*8.6*
Adjustment in respect of current tax of prior periods	**–**	(0.1)	*–*
	(2.0)	5.8	*8.6*
Deferred tax			
Origination and reversal of temporary differences	**(0.6)**	(0.3)	*(0.4)*
Change in corporation tax rate	**–**	–	*1.6*
Adjustment in respect of prior periods	**–**	0.1	*–*
	(0.6)	(0.2)	*1.2*
Tax (credit)/charge in the income statement	**(2.6)**	5.6	*9.8*

Deferred tax in the group income statement			
Property revaluation and disposals	**–**	(0.1)	*1.4*
Retirement benefit schemes	**0.1**	0.1	*0.6*
Capital allowances	**(0.8)**	(0.4)	*(1.2)*
Share-based payments	**0.1**	0.2	*0.3*
Trade losses	**–**	–	*0.1*
Tax (credit)/charge in the income statement	**(0.6)**	(0.2)	*1.2*

Deferred tax in the group statement of comprehensive income			
Interest rate swaps	**–**	(0.1)	*0.1*
Retirement benefit schemes	**(1.7)**	(0.8)	*(0.1)*
Property revaluation and disposals	**(0.1)**	(0.1)	*(1.5)*
Change in corporation tax rate	**–**	–	*4.6*
Tax (credit)/charge in other comprehensive income	**(1.8)**	(1.0)	*3.1*

The deferred tax assets and liabilities at the balance sheet date are calculated at the substantively enacted rate of 19%.

The effective full year tax rate of 10.1% is down from 21.1% in the prior year due to the decrease in full year forecast results.

6. (Loss)/earnings per ordinary share

(a) (Loss)/earnings

	26 weeks to 28 Sep 2020 £m	26 weeks to 30 Sep 2019 £m	*52 weeks to 30 Mar 2020 £m*
(Loss)/profit for the period	**(19.2)**	18.7	*19.3*
Adjusting items	**2.6**	2.3	*8.6*
Tax attributable to above adjustments	**(0.1)**	–	*1.6*
Adjusted (loss)/earnings after tax	**(16.7)**	21.0	*29.5*

	Number	Number	*Number*
Basic weighted average number of ordinary shares in issue	**53,774,655**	49,003,822	*49,018,801*
Dilutive potential of ordinary shares from outstanding employee share options	–	41,744	*28,901*
Diluted weighted average number of shares	**53,774,655**	49,045,566	*49,047,702*

(b) Basic (loss)/earnings per share

	Pence	Pence	*Pence*
Basic	**(35.70)**	38.16	*39.37*
Effect of adjusting items	**4.64**	4.69	*20.81*
Adjusted basic	**(31.06)**	42.85	*60.18*

(c) Diluted (loss)/earnings per share

	Pence	Pence	*Pence*
Diluted	**(35.70)**	38.13	*39.35*
Effect of adjusting items	**4.64**	4.69	*20.80*
Adjusted diluted	**(31.06)**	42.82	*60.15*

The basic (loss)/earnings per share figure is calculated by dividing the net (loss)/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 (loss)/earnings per share are calculated on a similar basis taking into account dilutive potential shares under our SAYE scheme. There were no potentially dilutive shares in the period ended 28 September 2020 (2019: 41,744).

Adjusted (loss)/earnings per share are presented to eliminate the effect of the adjusting items on basic and diluted (loss)/earnings per share.

7. Dividends on equity shares

	26 weeks to 28 Sep 2020 Pence	26 weeks to 30 Sep 2019 Pence	*52 weeks to 30 Mar 2020 Pence*
Final dividend (previous period)	**–**	10.81	*10.81*
Interim dividend (current period)	**–**	–	*10.57*
	–	10.81	*21.38*

The table above sets out dividends that have been paid. The board has decided that it is not appropriate to recommend payment of an interim dividend in respect of the period ended 28 September 2020.

8. Net cash generated from operations and analysis of net debt

	26 weeks to 28 Sep 2020 £m	26 weeks to 30 Sep 2019 £m	*52 weeks to 30 Mar 2020 £m*
(Loss)/profit before tax	**(21.8)**	24.3	*29.1*
Finance costs	**4.8**	4.2	*8.6*
Finance charge for pension obligations	**0.1**	0.1	*0.2*
Operating (loss)/profit	**(16.9)**	28.6	*37.9*
Depreciation of property and equipment	**13.3**	12.6	*25.6*
Depreciation of right-of-use assets	**3.9**	3.7	*7.5*
Movement on the revaluation of properties	**–**	–	*5.3*
Net loss on disposal of properties	**0.2**	0.5	*0.6*
Difference between pension service cost and cash contributions paid	**(0.7)**	(0.6)	*(1.3)*
Share-based payments	**(0.2)**	0.1	*0.1*
Movements in working capital			
– Inventories	**(0.4)**	(0.2)	*0.5*
– Receivables	**1.0**	(1.9)	*(1.8)*
– Payables	**(0.2)**	(0.6)	*(1.9)*
Net cash generated from operations	**–**	42.2	*72.5*

Analysis of group net debt

	At 28 Sep 2020 £m	At 30 Sep 2019 £m	*At 30 Mar 2020 £m*
Cash	**39.8**	9.3	*1.1*
Current borrowings and loan capital	**(29.8)**	–	*(50.0)*
Current lease liabilities	**(5.0)**	(5.0)	*(5.3)*
Non-current borrowings and loan capital	**(133.3)**	(163.7)	*(149.2)*
Non-current lease liabilities	**(75.5)**	(67.8)	*(77.0)*
Net debt	**(203.8)**	(227.2)	*(280.4)*

See note 1 for further details on refinancing activities in the current period.

9. Property and equipment

Cost or valuation	Land & buildings £m	Fixtures, fittings & equipment £m	Total £m
At 2 April 2019	693.3	148.0	841.3
Additions	6.6	26.1	32.7
Business combinations	27.1	2.6	29.7
Disposals	(1.7)	(0.8)	(2.5)
Transfer out to asset held for sale	(0.8)	(0.4)	(1.2)
Fully depreciated assets	(0.2)	(14.8)	(15.0)
Revaluation			
– effect of upward movement in property valuation	19.1	–	19.1
– effect of downward movement in property valuation	(29.3)	–	(29.3)
At 30 March 2020	714.1	160.7	874.8
Additions	0.5	3.7	4.2
Disposals	–	(0.2)	(0.2)
Fully depreciated assets	(7.4)	(9.2)	(16.6)
At 28 September 2020	**707.2**	**155.0**	**862.2**
Depreciation and impairment			
At 2 April 2019	27.8	62.9	90.7
Depreciation charge	1.6	24.0	25.6
Disposals	(1.0)	(0.3)	(1.3)
Transfer out to asset held for sale	(0.6)	(0.1)	(0.7)
Fully depreciated assets	(0.2)	(14.8)	(15.0)
Revaluation			
– effect of downward movement in property valuation	7.0	–	7.0
– effect of upward movement in property valuation	(2.6)	–	(2.6)
At 30 March 2020	32.0	71.7	103.7
Depreciation charge	0.9	12.4	13.3
Disposals	–	(0.2)	(0.2)
Fully depreciated assets	(7.4)	(9.2)	(16.6)
At 28 September 2020	**25.5**	**74.7**	**100.2**
Net book value			
At 2 April 2019	665.5	85.1	750.6
At 30 March 2020	682.1	89.0	771.1
At 28 September 2020	**681.7**	**80.3**	**762.0**

9. Property and equipment (continued)

Revaluation of property and equipment

The values of the group's freehold land, buildings and fixtures and fittings were reviewed in light of current market factors by management and by Savills, who perform a desktop review based upon information provided by the group, pursuant to the group's accounting policy. The group considers that the valuation reached at 30 March 2020, after the onset of covid, still represents the best estimate of the fair value of the estate at 28 September 2020.

The year-end valuation incorporated the impact of covid through discounting pre-covid property values by between 0% and 10%, dependent on factors including, but not limited to, location, segment and performance of each site. The valuation discount applied contained material uncertainty given the lack of comparable transactional activity since the onset of covid and the uncertainty over future trade at the valuation date. In light of the post-year-end trading performance of the group, along with wider market activity, the covid discount applied at year-end has been re-assessed, with input from Savills, and is considered to continue to represent the properties' highest and best value at 28 September 2020.

Details of the methodology used in determining the group's property values are discussed in the group's audited accounts for the 52 weeks ended 30 March 2020. The key inputs are EBITDA, a multiplier and, in some cases, underlying property values. A sensitivity analysis has been conducted on the property estate to give an indication of the impact of movements in the most sensitive assumption, EBITDA. The analysis considers this single change with the other assumptions unchanged. In practice, changes in one assumption may be accompanied by changes in another. Changes in market values may also occur at the same time as any changes in assumptions. This information should not be taken as a projection of likely future valuation movements. Decreasing or increasing the EBITDA used in the revaluation by 10% would decrease/increase the valuation by £59.1 million.

10. Lease liabilities, right-of-use assets and goodwill

Set out below are the carrying amounts of the group's right-of-use assets and lease liabilities and the movements during the period:

	Right-of-use assets £m	Lease liabilities £m
As at 2 April 2019	**148.2**	**74.6**
Additions	3.0	2.8
Business combinations	15.0	8.3
Lease amendments	4.7	4.7
Depreciation expense	(7.5)	–
Accretion of interest	–	2.5
Capital repayment	–	(10.6)
As at 30 March 2020	**163.4**	**82.3**
Lease amendments	0.4	0.4
Depreciation expense	(3.9)	–
Accretion of interest	–	1.3
Capital repayment	–	(3.5)
As at 28 September 2020	**159.9**	**80.5**

Right-of-use assets predominantly relate to leasehold properties, along with motor vehicles and IT equipment.

Cash flow benefits arising from rent concessions totalled £0.8 million in the period. This includes £0.4 million of rent holidays which have been offset against £0.8 million of upward lease amendments in the period. The impact on the income statement during the period was immaterial and there was a £0.2 million increase in trade and other payables in the balance sheet as a result of rent deferrals for which the original lease liability was not amended.

As a lessor, the group offered a rent-free period to the majority of its tenanted estate from 16 March 2020 to 4 July 2020 and negotiated further concessions in the period to 28 September 2020. These concessions were treated as modifications to the operating leases and treated as new leases from date of modification. The concessions are being recognised over the remaining lease term, resulting in foregone rental income of £0.3 million for the period.

10. Lease liabilities, right-of-use assets and goodwill (continued)

Impairment considerations

Impairment indicators were identified to groups of cash generating units with associated right-of-use assets and/or goodwill following the loss of trade as a result of covid. The inputs to both the impairment models for the right-of-use assets and goodwill are consistent and, in both cases, no impairment has been recognised in the current period.

All impairment tests are based on individual site 24-month cash flow forecasts initially, taking into account expected disruption from covid, followed by 2.0% long-term annual growth in projected future cash flows (2020: 2.0%), with the exception of Smiths of Smithfield Limited where growth rates increase over a five year period to reflect the anticipated arrival of Crossrail in 2022 and the opening of the Museum of London in 2024 before reverting to a 2.0% long-term growth rate. The pre-tax discount rate applied to all cash flow projections was 8.1% (2020: 7.7%).

The impairment calculation is most sensitive to the pre-tax discount rate and EBITDA assumptions. The board has performed a sensitivity analysis on the impairment tests. Although not considered probable, if trade continued at the current year level with no long-term future growth, an impairment loss to all cash generating units with associated right-of-use assets and/or goodwill, with the exception of Geronimo, would be recognised. Further, if the discount rate was to increase by 1% an impairment would be recognised on the right-of-use assets and to the goodwill of Smiths of Smithfield Limited and Spring Pub Company Limited.

11. Retirement benefit schemes

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

	26 weeks to 28 Sep 2020 £m	26 weeks to 30 Sep 2019 £m	*52 weeks to 30 Mar 2020 £m*
Changes in the present value of the retirement benefit schemes are as follows:			
Opening deficit	**(8.2)**	(8.6)	*(8.6)*
Current service cost	**(0.1)**	(0.2)	*(0.3)*
Contributions	**0.8**	0.8	*1.6*
Finance charge for pension obligations	**(0.1)**	(0.1)	*(0.2)*
Remeasurement through other comprehensive income	**(9.2)**	(4.9)	*(0.7)*
Closing deficit	**(16.8)**	(13.0)	*(8.2)*

The £9.2 million remeasurement through other comprehensive income is largely driven by a decrease in the discount rate to 1.6% (2020: 2.4%) along with an increase in RPI inflation to 3.0% (2020: 2.8%).

12. Share capital

Total share capital comprises the nominal value of the share capital issued and fully paid of £7.3 million (2020: £6.1 million) and the share premium account of £7.5 million (2020: £7.5 million). Share capital issued in the period comprises a nominal value of £1.2 million (2020: £nil) and a share premium of £nil (2020: £0.8 million).

In June 2020, the group completed an equity issue raising gross proceeds of £88.4 million in the period. The equity issue comprised the placing of 4,513,393 new A shares and 4,910,755 new non-voting shares. The new A shares were issued at 1,160p per share and the new non-voting shares were issued at 735p per share. The allotment and issue of the new shares was effected by way of a placing of new A shares and new non-voting shares for non-cash consideration: J.P. Morgan Securities plc subscribed for ordinary shares and redeemable preference shares in Project Uppercase No. 1 Limited, a Jersey incorporated wholly owned subsidiary, for an amount approximately equal to the net proceeds of the placing, and the company allotted and issued the new shares on a non-pre-emptive basis to placees in consideration for the transfer of the ordinary shares and redeemable preference shares in Project Uppercase No. 1 Limited that were issued to J.P. Morgan Securities plc.

A cash box structure was used in such a way that merger relief was available under Companies Act 2006, section 612, and thus no share premium was recorded. As the redemption of the cash box entity's preference shares was in the form of cash, the transaction was treated as qualifying consideration and the premium is therefore considered to be a realised profit. Transaction costs incremental to the equity issue totalled £3.6 million and have been recorded directly in retained earnings, resulting in net realised profit recorded in retained earnings of £83.6 million. Including the nominal share capital of £1.2 million, total net equity raised was £84.8 million.

13. Post balance sheet events

Following the latest national lockdown introduced last week, all our pubs closed on 5 November. Whilst we were hoping that a further lockdown could have been avoided, the second lockdown with the financial support available from the Government will be considerably less damaging to our business than the potential move to Tier 3. For the four-week closure we would expect a cash burn of between £4.0 million and £5.0 million, achieved by the reintroduction of the Coronavirus Job Retention Scheme. We are hopeful that when we re-open on 3 December, we will see the back of the 10pm curfew and London moves to Tier 1.

Notes

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Non-executive Chairman

Patrick Dardis
Chief Executive

Mike Owen
Chief Financial Officer

Simon Dodd
Chief Operating Officer

Tracy Dodd
People

Roger Lambert
Non-executive
Senior Independent

Torquil Sligo-Young
Non-executive

Trish Corzine
Non-executive

Nick Miller
Non-executive

Ian McHoul
Non-executive

Company secretary
Anthony Schroeder

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