



19 November 2009

INTERIM RESULTS
For the 26 weeks ended 26 September 2009

Highlights

	2009	Restated	
	£000	2008	
		£000	
Revenue	67,240	66,275	+1.5%
Profit before tax	11,462	9,398	+22.0%
Adjusted profit before tax*	12,342	11,903	+3.7%
Basic earnings per share	17.43p	12.68p	+37.5%
Adjusted basic earnings per share*	17.79p	17.41p	+2.2%
Interim dividend per share	6.24p	6.12p	+2.0%

- Good performance across the business in a challenging environment for the industry;
- Managed house revenue up 1.7%, 0.7% down like-for-like; operating profit up 0.7% despite large increases in electricity and rates;
- Managed house liquor revenue up 2.3%, flat like-for-like; food revenues up 3.1%, down 0.6% like-for-like;
- Managed house combined liquor and food gross margins ahead of last year;
- Solid performance from Wells & Young's, one of Britain's leading traditional cask ale brewers by volume (Nielsen);
- Over £5m investment across the existing estate to maintain premium position;
- Highly cash generative business model; balance sheet remains robust with gearing at 39.3%; net debt reduced to £64.9m (2008: £66.1m) in spite of continued programme of investment;
- Interim dividend increased for the 13th consecutive year;
- Encouraging performance in the first seven weeks of the second half with managed house revenue up 0.9% on a like-for-like basis.

Note: All of the results above are for continuing operations.

The comparative figures for September 2008 have been restated as detailed in note 10(a).

** Throughout this interim report, reference to an adjusted item means that it refers to continuing operations only and has been adjusted to exclude (for both parent and associate) exceptional items and, in the case of after-tax amounts, the tax adjustment on phasing out of industrial buildings allowances.*

Stephen Goodyear, Chief Executive of Young's, commented:

"Young's has turned in a good performance in a period that has seen many challenges for the pub industry.

"Our strategy is focused on maintaining the premium position of our estate to maximise long term profitability. We have therefore resisted the temptation to chase sales through heavy discounting and this approach has served us well.

"We continue to invest in our managed and tenanted pubs, and in our hotel offering. Despite this we have achieved a small reduction in debt and have one of the strongest balance sheets amongst the quoted pub companies. We are therefore well positioned to expand our estate through acquisition as the right value enhancing opportunities become available.

"Given the current market conditions trading since the end of September has been encouraging and we believe that we are well placed to build on a positive first half performance."

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INTERIM RESULTS

Overview

Young's produced a good performance in the first half of the year in a challenging environment for the industry. Revenues rose 1.5%, adjusted profit before tax was up 3.7%, and adjusted basic earnings per share were up 2.2% to 17.79p. On an unadjusted basis profit before tax was up 22.0%.

Notwithstanding the current economic climate, Young's has remained committed to delivering shareholder value through, amongst other things, dividend growth built on operational performance and the strength of its balance sheet. We believe we are well placed to emerge from the worst of the downturn in a strong position. We have a highly cash generative business, supported by a robust balance sheet with financial gearing of 39.3%. We own the freehold of 185 of our 221 trading pubs, which assists in minimising the fixed costs in our business. Of the 36 leasehold sites, 11 have over 40 years to run with minimal rents.

We have not adopted heavy discounting measures to chase like-for-like sales. We believe we have sustained the quality of the Young's brand and we remain committed to maintaining our premium position within the marketplace, providing customers with the product range, the quality of service and the ambience of a well invested estate. We delivered a resilient like-for-like sales performance and at the same time our managed house combined gross margins for liquor and food were ahead of last year.

As a sign of confidence in the business, the board has decided to increase the interim dividend by 2.0% to 6.24p per share – the thirteenth year of interim growth. The interim dividend is expected to be paid on 18 December 2009 to shareholders on the register at the close of business on 4 December 2009.

Business review

Managed houses

Our managed pub estate accounts for 88.8% of total revenues. Managed house revenue increased 1.7% to £59.7 million, with same outlet like-for-like revenues just 0.7% behind last year. We have maintained a premium pricing policy, but profitability has suffered from large increases in electricity prices and rates. Nonetheless, operating profit is 0.7% ahead at £14.8 million and the average EBITDAR per same outlet managed house was £167,800 for the six months.

Liquor has proved the most resilient component of our revenue stream, growing in total by 2.3%, and is flat on a like-for-like basis whilst the gross margin was maintained. We believe that our diverse range of cask ales, supported by the pick of the leading lager brands, is an integral part of our success.

Food sales have been more affected by the downturn although we still recorded a gain of 3.1% in total food revenue and only a modest 0.6% decline on a like-for-like basis. There was a positive impact from the "Dine with Wine" promotion which ran for six weeks during the

summer and further food and drink promotions are planned for selected quiet periods in the second half.

Despite the promotional activity, food margins have improved by 2.9 percentage points compared with last year; the result of better purchasing economies and software investment targeted at margin improvement. Nonetheless, we have avoided standard corporate menus within our pubs, believing that quality and freshly prepared food helps to differentiate us in today's crowded market place. We continue to promote our "Best of British" range with great emphasis on local provenance and were proud participants in September's British Food Fortnight, a national initiative to promote British agriculture and produce.

E-marketing, as in recent years, has been the cornerstone of our marketing initiatives. At the end of September we had a database in excess of 250,000 customers. With an e-marketing message sent on average once a month, this gives us over 3 million sales opportunities annually which have enabled us to establish an online dialogue and build loyalty with our customers.

We have invested £2.8 million in managed pubs. This was partly on finishing major projects started last year at the Hare and Hounds, Sheen, the Leather Bottle, Earlsfield and the Ship, Wandsworth with £0.3 million invested in recently acquired sites. In addition, major refurbishments were carried out at the Crown, Lee, the Dog and Bull, Croydon, the Pied Bull, Streatham, the Spread Eagle, Camden, the Spring Grove, Kingston, the White Hart, Barnes and the Duke of Wellington, Portobello Road. The increase in EBITDA of the pubs refurbished last summer that have now completed their first 12 months trading post development demonstrate a 15.3% return on our investment.

The difficult hotel market has impacted our accommodation sales with corporate bookings on Wednesday and Thursday nights being hardest hit. In total, revenue was down 13.3% and REVPAR (revenue per available room) also down 13.3% at £38.45. The downturn in the hotel market, which we consider to be short term, has provided us with the opportunity to invest £1.4 million with minimal disruption and without turning away too many room sales. The major investments were at the Coach and Horses, Kew, the Duke's Head, Wallington, the Alexander Pope, Twickenham and the Windmill, Clapham; these have resulted in almost a third of our 351 hotel rooms having been upgraded during the last six months.

To strengthen the long term position of our hotel offering we have a project underway to improve revenue management and to further establish the Young's hotel brand, as a discrete but complementary component of the Young's retail proposition. We have also engaged in a direct marketing campaign to target 200,000 potential customers over and above the usual promotional activity to the Young's database. We are confident that this hotel project and these tactical marketing initiatives will help us to address the ongoing challenges in the hotel cycle and ensure that we enter the second half well equipped to meet the demands of the marketplace.

Tenanted division

Our tenanted pub estate represents 10.9% of total revenues and has had a comparatively strong six months given the market conditions, with like-for-like volume and revenue growth. Overall, the transfer of the Thatched House, Hammersmith to management and the closure of the Wheatsheaf, Borough Market whilst local rail networks are upgraded, have resulted in tenanted volume and revenue being down 1.8% and 0.5% respectively and the overall tenanted division's operating profit being down 4.6% at £2.8 million.

A number of new tenants have joined us, stimulating this important part of our business with new and exciting ideas. The Hope and Anchor, Brixton, where sales are up 56.5%, is a prime example of where a tenant's entrepreneurial flair, combined with our own experience, has transformed the business into a thriving pub for the benefit of its customers and local community. It is this partnership approach which is the key to our success.

A comprehensive support package is available for our tenants. This includes 17 core training courses which range from basic food hygiene, through everyday management to an advanced wine programme leading to recognised Wine and Spirit Education Trust qualifications.

Our tenants also benefit from the wide portfolio of ales and lagers supplied by Wells & Young's, complemented by a guest ale range which, during the summer, included Caledonian's Deuchars IPA and St Austell's Tribute. The value for money wine offer from Wells & Young's subsidiary, Cockburn & Campbell, has continued to be well received by both our tenants and customers.

We have never believed in chasing short term profits from the tenanted model at the expense of the long term success of our tenanted estate. Instead we have sought the best tenant for each individual pub and ensured that their share of the profit motivates and rewards their efforts in driving their business forward. With one of the highest average EBITDARs per pub in the sector, £36,500 on a same outlet basis for the six months, we are confident that this is the right approach.

During the course of the summer we invested £0.9 million in our tenanted pubs. Pubs such as the Gardeners Arms, Wandsworth, the Lamb Inn, Hindon, the Malt Shovel, Dartford, the Plough Inn, Lambeth, the Britannia Tap, Kensington, the Surprise, Lambeth and the Marble Hill, Twickenham received particular attention whilst projects started last year at the Waggon and Horses, Surbiton, the Horse Pond Inn, Castle Cary and the Lord Napier, Thornton Heath were finished. Work also started on a major project at the Kings Arms, Epsom which is due to open in late November.

We welcome the decision by the Office of Fair Trading to take no further action on the tie. Whilst there still remains the possibility for Lord Mandelson to order a Competition Commission inquiry, the industry is working constructively with the Government on the critical issues affecting our business, not least those concerning tax and regulation. This represents some of the pressure on pubs but the bigger issue remains the irresponsible sale of loss leading, low priced alcohol in supermarkets and the off trade.

Wells & Young's

Wells & Young's is our brewing partnership with Charles Wells. The brewery, based in Bedford, has had a good summer, with continued focus on both efficiency and costs in all areas of the business. This has resulted in revenue up 1.0% and our 40% share in Wells & Young's has contributed £1.8 million to Young's adjusted profit before tax. Further rationalisation of the business with the restructuring of the packaging lines has resulted in an exceptional cost of which our share is £0.1 million.

Own and licensed brand volumes brewed by Wells & Young's were flat; a comparatively strong performance given current market conditions. The business remains innovative, as witnessed by the successful introduction of Kew Gold on draught within the Young's estate.

The wide range of cask ale and lager within the Wells & Young's portfolio is accompanied by a variety of wines and spirits available through its subsidiary, Cockburn & Campbell. This provides Young's with a point of distinction for our customers within both our managed and tenanted estate.

Investment and finance

Increased revenues, lower finance costs and tight cost control have offset the now familiar increases in duty, utilities and regulatory burdens. Adjusted profit before tax was up 3.7% at £12.3 million and adjusted basic earnings per share were up 2.2% at 17.79p. On an unadjusted basis profit before tax was up 22.0%.

The business remains both cash generative and soundly financed. Net debt finished a little lower at £64.9 million despite investing £5.2 million in the business during the course of the summer. There is plenty of headroom within our existing £90.0 million bank facilities, none of which needs to be renegotiated until March 2013 and the majority not until March 2023. With gearing at 39.3%, we have avoided the over-leverage that has blighted some operators in the pub sector. Indeed, we believe that we have one of the stronger balance sheets amongst the publicly quoted pub companies.

Our balance sheet is underpinned with the freehold interests of 185 of our 221 trading pubs, 122 of which are managed and 99 of which are tenanted. Of the 36 leasehold sites, 11 have over 40 years to run with minimal rents. In addition, we own the freehold interests in the Wheatsheaf and the Brewery Tap, both closed as we await planning opportunities arising from the redevelopment of Wandsworth. Shortly after the period end we sold the Britannia, Barking, exchanged contracts for the Cricketers, Mitcham and the Tamworth Arms, Croydon and did not renew the lease on the Bedford Park, Streatham as, over recent years, these businesses had become increasingly unviable and we felt that our management time and capital could be applied more effectively elsewhere.

Even with a prosperous summer for our pension fund investments, our pension fund liabilities have increased as a result of the lower discount rate that is applied, a direct result of the improving conditions within the bond markets. As a result, our net pension fund deficit has risen during the course of the six months by £4.7 million to £16.4 million.

Current trading and outlook

Trading conditions will undoubtedly remain challenging for the remainder of the financial year.

However, we have achieved a resilient performance in the year to date, and we are working hard to drive value in our existing estate. We are continuing to invest, and are pursuing initiatives to drive profitable revenue growth, whilst remaining true to our strategy of maintaining a premium positioning that attracts a wide and diverse customer base. At the same time, we stay alert to opportunities for further expansion.

In the first seven weeks of the second half, total managed house sales were up 0.8% and 0.9% on a like-for-like basis. We view this as an encouraging performance in the current market, and believe that we are well placed to build on a positive first half result.

Stephen Goodyear
Chief executive
19 November 2009

The 2009 interim report will be mailed to shareholders on 27 November 2009 and copies of it will be available on the Company's website and on request from the Company Secretary at the Company's registered office: Riverside House, 26 Osiers Road, Wandsworth, London, SW18 1NH (tel: 020 8875 7000).

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 26 September 2009 which comprises the group income statement, the group statement of comprehensive income, the group balance sheet, the group statement of cash flow, the group statement of changes in equity and the related explanatory notes. We have read the other information contained in the half yearly financial 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 ISRE 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 half-yearly financial 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 IFRSs 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 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 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 Ireland) 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 half-yearly financial report for the 26 weeks ended 26 September 2009 is not 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.

Unaudited group income statement

For the 26 weeks ended 26 September 2009

		Restated	
	26 weeks to 26 Sept 09	26 weeks to 27 Sept 08	52 weeks to 28 March 09
	£000	£000	£000
Continuing operations			
Revenue			
	67,240	66,275	126,091
Operating costs before exceptional items	(55,242)	(54,085)	(105,545)
Operating profit before exceptional items	11,998	12,190	20,546
Operating exceptional items	4	(510)	(10,519)
Operating profit	11,998	11,680	10,027
Share of associate's profit before exceptional items and tax	1,789	1,368	1,892
Share of associate's operating exceptional items	4	(264)	(3,740)
Share of associate's tax expense	(665)	(1,731)	(685)
Share of associate's post tax result	909	(627)	(2,533)
Profit before interest	12,907	11,053	7,494
Finance costs	(1,348)	(2,017)	(3,788)
Finance revenue	1	219	222
Other finance (charge)/income	(98)	143	285
Profit before tax	11,462	9,398	4,213
Taxation	5	(3,071)	(2,988)
Profit from continuing operations	8,391	6,077	1,225
Profit from discontinued operation	2	-	849
Profit for the period	8,391	6,077	2,074
	Note	Pence	Pence
Earnings per 12.5p ordinary share from continuing operations			
	6		
Basic		17.43	12.68
Diluted		17.43	12.66
Earnings per 12.5p ordinary share from continuing and discontinued operations			
	6		
Basic		17.43	12.68
Diluted		17.43	12.66

The comparative figures for September 2008 have been restated as detailed in note 10(a).

Unaudited group statement of comprehensive income

For the 26 weeks ended 26 September 2009

		Restated	
	26 weeks	26 weeks	52 weeks
	to	to	to
	26 Sept 09	27 Sept 08	28 March 09
Note	£000	£000	£000
Profit for the period	8,391	6,077	2,074
Other comprehensive income			
Actuarial loss on retirement benefit schemes	(5,411)	(7,294)	(6,817)
Hedging reserve fair value movement of interest rate swap	729	157	(4,287)
Tax on above components of other comprehensive income	5 1,457	2,289	3,060
Associate's actuarial (loss)/gain (net of deferred tax) on retirement benefit schemes	(917)	915	(685)
	<u>(4,142)</u>	<u>(3,933)</u>	<u>(8,729)</u>
Total comprehensive income	<u>4,249</u>	<u>2,144</u>	<u>(6,655)</u>

The comparative figures for September 2008 have been restated as detailed in note 10(a).

Unaudited group balance sheet

At 26 September 2009

	At 26 Sept 09 £000	Restated At 27 Sept 08 £000	At 28 March 09 £000
Non current assets			
Property, plant and equipment	258,035	264,348	256,908
Prepaid operating lease premiums	5,873	5,959	5,916
Investment in associate	16,609	20,053	16,604
Other financial asset	600	600	600
Retirement benefit scheme	6,432	6,086	5,359
	<u>287,549</u>	<u>297,046</u>	<u>285,387</u>
Current assets			
Prepaid operating lease premiums	86	86	86
Inventories	1,700	1,609	1,702
Trade and other receivables	4,285	5,395	4,742
Cash	1,411	2,131	1,519
	<u>7,482</u>	<u>9,221</u>	<u>8,049</u>
Non current assets classified as held for sale	797	771	797
Total assets	<u>295,828</u>	<u>307,038</u>	<u>294,233</u>
Current liabilities			
Borrowings	(2)	(2)	(2)
Trade and other payables	(15,035)	(17,808)	(18,798)
Income tax payable	(2,881)	(3,107)	(1,705)
	<u>(17,918)</u>	<u>(20,917)</u>	<u>(20,505)</u>
Non current liabilities			
Borrowings	(66,318)	(68,219)	(66,819)
Derivative financial instruments	(4,069)	(354)	(4,798)
Deferred tax	(19,362)	(23,483)	(20,788)
Retirement benefit schemes	(22,878)	(18,678)	(17,112)
	<u>(112,627)</u>	<u>(110,734)</u>	<u>(109,517)</u>
Total liabilities	<u>(130,545)</u>	<u>(131,651)</u>	<u>(130,022)</u>
Net assets	<u>165,283</u>	<u>175,387</u>	<u>164,211</u>
Capital and reserves			
Share capital	6,028	6,028	6,028
Share premium	1,274	1,274	1,274
Other reserves	(984)	1,691	(1,509)
Investment in own shares	(38)	(112)	(38)
Retained earnings	159,003	166,506	158,456
Total equity	<u>165,283</u>	<u>175,387</u>	<u>164,211</u>

The comparative figures for September 2008 have been restated as detailed in note 10.

Unaudited group statement of cash flow

For the 26 weeks ended 26 September 2009

		26 weeks to 26 Sept 09 £000	26 weeks to 27 Sept 08 £000	52 weeks to 28 March 09 £000
Operating activities				
Cash generated from operations	8	12,006	12,593	26,438
Exceptional VAT on disposal of sites		-	(10,281)	(10,281)
Interest received		1	219	222
Income tax (paid)/tax rebates received		(1,864)	2,692	244
Net cash flow from operating activities		<u>10,143</u>	<u>5,223</u>	<u>16,623</u>
Investing activities				
Sales of property, plant and equipment		17	1,415	1,391
Purchases of property, plant and equipment		(5,248)	(18,515)	(24,487)
Net cash used in investing activities		<u>(5,231)</u>	<u>(17,100)</u>	<u>(23,096)</u>
Financing activities				
Interest paid		(1,322)	(1,212)	(3,431)
Equity dividends paid		(3,197)	(3,122)	(6,062)
Proceeds from exercise of share options in the employee benefit trust		-	88	636
(Decrease)/increase in borrowings		(500)	17,900	16,500
(Decrease)/increase in finance leases		(1)	5	-
Net cash (used in)/generated from financing activities		<u>(5,020)</u>	<u>13,659</u>	<u>7,643</u>
(Decrease)/increase in cash		(108)	1,782	1,170
Cash at the beginning of the period		1,519	349	349
Cash at the end of the period		<u>1,411</u>	<u>2,131</u>	<u>1,519</u>

Analysis of group net debt

At 26 September 2009

	At 26 Sept 09 £000	At 27 Sept 08 £000	At 28 March 09 £000
Cash	1,411	2,131	1,519
Loan capital and finance leases	(66,320)	(68,221)	(66,821)
Net debt	<u>(64,909)</u>	<u>(66,090)</u>	<u>(65,302)</u>

Unaudited group statement of changes in equity

For the 26 weeks ended 26 September 2009

	26 weeks to 26 Sept 09 £000	Restated 26 weeks to 27 Sept 08 £000	Restated 52 weeks to 28 March 09 £000
Opening equity as previously stated	164,211	173,942	173,942
Prior year adjustment to deferred tax liabilities on impairment of properties and brands	10	-	2,329
Opening equity as restated	<u>164,211</u>	<u>176,271</u>	<u>176,271</u>
Total comprehensive income			
Profit for the period	8,391	6,077	2,074
Other comprehensive income			
Actuarial loss on retirement benefit schemes	(5,411)	(7,294)	(6,817)
Hedging reserve fair value movement of interest rate swap	729	157	(4,287)
Tax on above components of other comprehensive income	1,457	2,289	3,060
Associate's actuarial (loss)/gain (net of deferred tax) on retirement benefit schemes	(917)	915	(685)
	<u>(4,142)</u>	<u>(3,933)</u>	<u>(8,729)</u>
Total comprehensive income	<u>4,249</u>	<u>2,144</u>	<u>(6,655)</u>
Transactions with owners recorded directly in equity			
Dividends paid on equity shares	(3,197)	(3,122)	(6,062)
Allocation of shares to employees	-	94	604
Share-based payments by associate	20	-	53
	<u>(3,177)</u>	<u>(3,028)</u>	<u>(5,405)</u>
Closing equity	<u>165,283</u>	<u>175,387</u>	<u>164,211</u>

The comparative figures have been restated as detailed in note 10.

Notes:

1. Accounts

This interim report was approved by the board on 18 November 2009. The interim financial statements in it are unaudited, and are not the group's statutory accounts as defined in s. 240 of the Companies Act 1985. They have been prepared in accordance with the IFRS accounting policies as adopted by the European Union that the group expects to apply in the 2010 full year financial statements. These accounting policies are consistent with the accounting policies set out in the group's audited accounts for the 52 weeks ended 28 March 2009, with the exception of the following changes to IFRS standards which the group has adopted for the 2010 financial year:

(a) IAS 1 (Revised): Presentation of Financial Statements:

The revised standard introduces the concept of a statement of comprehensive income, which enables users of the financial statements to analyse changes in a company's equity resulting from transactions with owners separately from non-owner changes.

The statement of changes in equity is now presented as a primary statement rather than a note; the statement of recognised income and expense has been replaced by the statement of comprehensive income; and the group has opted to continue to present a separate income statement. These changes are purely in presentation and have no effect on the group's operating results and financial position.

(b) IFRS 8: Operating Segments:

From 29 March 2009, the group has adopted IFRS 8 'Operating Segments'. IFRS 8 replaces IAS 14 'Segment Reporting'.

IFRS 8 requires a company to identify segments based on the information that management uses to make decisions.

Under IFRS 8, the changes to the group financial statements are: segment results are now shown as operating profit before exceptional items and a full reconciliation between segment operating profit before exceptional items and profit before tax and discontinued operations is now disclosed.

These changes are purely in presentation and have no effect on the group's operating results and financial position.

(c) IAS 23 (Revised): Borrowing Costs:

This standard now requires the capitalisation of interest attributable to certain qualifying assets which take a substantial period of time to get ready for use. The group does not anticipate acquiring any qualifying assets and will continue to expense all interest costs.

(d) IFRIC 14: IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction:

IFRIC 14 provides guidance on the recognition of defined benefit assets in conjunction with minimum funding requirements (MFRs). The extent to which an asset may be recognised is dependent upon the entity's entitlement to a future refund or reduction in contributions, and the existence of an MFR may give rise to an additional liability if contributions are not available to the entity once they have been paid. The group believes that this amendment will have no impact on the amounts recognised under defined benefit schemes.

The board and the respective trustees of the three defined benefit schemes are working together on the future of the schemes. This is expected to involve a merger of the three schemes. The trustees of the three schemes are supportive of this.

Statutory accounts for the 52 weeks ended 28 March 2009 have been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain any reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report. Further, that report did not contain a statement under s. 237(2) or (3) of the Companies Act 1985 (*accounting records or 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. As permitted, the interim report has not been prepared in accordance with IAS 34 'Interim Financial Reporting', which is not mandatory for AIM listed groups.

2. Discontinued operation

The group's brewing, beer brands and wholesale operations were treated as a discontinued operation in the 2007 period, following the disposal of the Ram Brewery site and the merger of its brewing, beer brands and wholesale operations with those of Charles Wells Limited to form a new brewing business, Wells and Young's Brewing Company Limited, of which the company has a 40% share.

The table below shows the results of the discontinued operation included in the income statement of the group:

	26 weeks to 26 Sept 09 £000	26 weeks to 27 Sept 08 £000	52 weeks to 28 March 09 £000
Profit before tax			
Non-operating exceptional items-restructuring costs written back	-	-	304
Tax credit	-	-	545
Profit from discontinued operation	-	-	849

3. Segmentation

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

- Managed houses - operates and runs pubs. Revenue is derived from sales of drink, food and accommodation.
- Tenanted houses - pubs owned or leased by Young's and leased or sub leased to third parties. Revenue is derived from rents payable by, and sales of drink made to, tenants.

There were no intersegment revenues between the segments in the current period, the prior period and the prior full year.

	26 weeks to 26 Sept 09 £000	26 weeks to 27 Sept 08 £000	52 weeks to 28 March 09 £000
Revenue			
Managed houses	59,739	58,754	111,415
Tenanted houses	7,325	7,363	14,329
Segment Revenue	67,064	66,117	125,744
Unallocated income	176	158	347
Total	67,240	66,275	126,091
Operating profit before exceptional items			
Managed houses	14,848	14,743	25,939
Tenanted houses	2,816	2,953	5,815
Segment operating profit before exceptional items	17,664	17,696	31,754
Unallocated expense	(5,666)	(5,506)	(11,208)
Total	11,998	12,190	20,546
Share of associate's post tax result	909	(627)	(2,533)
Finance costs	(1,348)	(2,017)	(3,788)
Finance revenue	1	219	222
Other finance (charge)/income	(98)	143	285
Operating exceptional items	-	(510)	(10,519)
Profit before tax from continuing operations	11,462	9,398	4,213
Profit before tax from discontinued operation	-	-	304
Profit before tax	11,462	9,398	4,517

4. Exceptional items

	26 weeks to 26 Sept 09 £000	26 weeks to 27 Sept 08 £000	52 weeks to 28 March 09 £000
(a) Operating exceptional items			
Profit on sales of properties	-	961	925
Impairment of properties	-	(1,461)	(10,671)
Capital gains tax on ESOP allocated shares	-	(10)	(90)
Hotel project fees written off	-	-	(683)
	<u>-</u>	<u>(510)</u>	<u>(10,519)</u>
(b) Share of associate's operating exceptional items			
Reorganisation costs	(121)	(264)	(605)
Fair value movement on foreign exchange forward contracts	(290)	-	421
Fair value movement on interest rate swap	196	-	(788)
Impairment of property	-	-	(2,768)
	<u>(215)</u>	<u>(264)</u>	<u>(3,740)</u>

The associate's reorganisation costs arise from the restructuring of its packaging lines. In addition, with such volatility in the foreign exchange and financial markets, there have been large movements in the fair value of foreign exchange and interest rate contracts.

5. Taxation

	26 weeks to 26 Sept 09 £000	Restated 26 weeks to 27 Sept 08 £000	52 weeks to 28 March 09 £000
(a) Tax (charged)/credited in the income statement			
<i>(i) Continuing operations</i>			
Current tax			
Group excluding associate	(3,040)	(2,982)	(4,508)
Adjustment in respect of prior periods	-	-	(161)
Total current tax	<u>(3,040)</u>	<u>(2,982)</u>	<u>(4,669)</u>
Deferred tax			
Deferred tax on impairment of properties (see note 10(a))	-	409	2,435
Origination and reversal of temporary differences	(31)	(294)	(210)
Adjustment on phasing out of industrial buildings allowances	-	(472)	(472)
Adjustment in respect of prior periods	-	18	(72)
Total deferred tax	<u>(31)</u>	<u>(339)</u>	<u>1,681</u>
Tax charge in the income statement on continuing operations	<u>(3,071)</u>	<u>(3,321)</u>	<u>(2,988)</u>
<i>(ii) Discontinued operation</i>			
Current tax			
Current tax	-	-	495
Adjustment in respect of prior periods	-	-	50
Current tax credit in the income statement on discontinued operation	<u>-</u>	<u>-</u>	<u>545</u>
Tax charge in the income statement	<u>(3,071)</u>	<u>(3,321)</u>	<u>(2,443)</u>
(b) Tax (charged)/credited on group components of other comprehensive income			
Current tax movement on share based payments	-	69	165
Deferred tax			
Retirement benefit schemes	1,516	2,042	1,908
Property revaluation - movement due to indexation	145	289	(39)
Interest rate swaps	(204)	(44)	1,200
Movement on share based payments	-	(67)	(174)
Total deferred tax	<u>1,457</u>	<u>2,220</u>	<u>2,895</u>
Tax credit on group components of other comprehensive income	<u>1,457</u>	<u>2,289</u>	<u>3,060</u>
(c) Deferred tax (charged)/credited in the income statement			
Continuing operations			
Capital allowances	169	(429)	52
Impairment of properties (see note 10(a))	-	409	2,435
Other tax provisions	-	(157)	(645)
Retirement benefit schemes	(200)	60	(43)
Rolled over gains	-	(222)	(118)
Total deferred tax in the income statement	<u>(31)</u>	<u>(339)</u>	<u>1,681</u>

The comparative figures for September 2008 have been restated as detailed in note 10(a).

6. Earnings per 12.5p ordinary share

	26 weeks to 26 Sept 09	Restated 26 weeks to 27 Sept 08	52 weeks to 28 March 09
(a) Earnings	£000	£000	£000
Profit from continuing operations	8,391	6,077	1,225
Profit from discontinued operation	-	-	849
Profit for the period	<u>8,391</u>	<u>6,077</u>	<u>2,074</u>
Profit from continuing operations	8,391	6,077	1,225
Operating exceptional items	-	510	10,519
Share of associate's exceptional items	215	264	3,740
Tax attributable to above adjustments	(42)	(260)	(3,917)
Tax adjustments on phasing out of industrial buildings allowances			
- group	-	472	472
- share of associate	-	1,279	1,279
Adjusted earnings after tax from continuing operations	<u>8,564</u>	<u>8,342</u>	<u>13,318</u>
	Number	Number	Number
Weighted average number of ordinary shares in issue†	48,128,692	47,913,594	47,951,096
Add: the notional exercise of the weighted average number of ordinary share options outstanding during the period	-	85,687	-
Diluted weighted average number of ordinary shares in issue†	<u>48,128,692</u>	<u>47,999,281</u>	<u>47,951,096</u>
(b) Basic earnings per share	Pence	Pence	Pence
Basic from continuing operations	17.43	12.68	2.55
Effect of exceptional items and other adjustments listed above	0.36	4.73	25.22
Adjusted basic from continuing operations	<u>17.79</u>	<u>17.41</u>	<u>27.77</u>
Basic from continuing operations	17.43	12.68	2.55
Basic from discontinued operation	-	-	1.78
Basic	<u>17.43</u>	<u>12.68</u>	<u>4.33</u>
(c) Diluted earnings per share	Pence	Pence	Pence
Diluted from continuing operations	17.43	12.66	2.55
Effect of exceptional items and other adjustments listed above	0.36	4.72	25.22
Adjusted basic from continuing operations	<u>17.79</u>	<u>17.38</u>	<u>27.77</u>
Diluted from continuing operations	17.43	12.66	2.55
Diluted from discontinued operation	-	-	1.78
Diluted	<u>17.43</u>	<u>12.66</u>	<u>4.33</u>

The comparative figures for September 2008 have been restated as detailed in note 10(a).

†The weighted average number of shares in issue excludes the group's investment in its own shares.

7. Ordinary dividends on equity shares

	26 weeks to 26 Sept 09	26 weeks to 27 Sept 08	52 weeks to 28 March 09
	Pence	Pence	Pence
Final dividend (previous year)	6.63	6.50	6.50
Interim dividend (current year)	-	-	6.12
	<u>6.63</u>	<u>6.50</u>	<u>12.62</u>

8. Net cash generated from operations

	26 weeks to 26 Sept 09	26 weeks to 27 Sept 08	52 weeks to 28 March 09
	£000	£000	£000
Profit before tax on continuing operations	11,462	9,398	4,213
Net finance costs	1,347	1,798	3,566
Other finance charge/(income)	98	(143)	(285)
Share of associate's post tax results	(909)	627	2,533
Operating profit on continuing operations	<u>11,998</u>	<u>11,680</u>	<u>10,027</u>
Depreciation	4,111	3,980	8,105
Impairment of properties	-	1,461	10,671
Profit on sales of properties	-	(961)	(925)
Difference between pension service cost and cash contributions paid	(816)	353	133
Allocation of shares to employees	-	6	-
Provision for capital gains tax on ESOP allocated shares	-	10	90
Movements in working capital			
Inventories	9	(112)	(209)
Receivables	500	(556)	179
Payables	(3,796)	(3,268)	(1,633)
Net cash generated from operations	<u>12,006</u>	<u>12,593</u>	<u>26,438</u>

9. Adjusted profit before tax

The table below shows how adjusted group profit before tax has been arrived at. This alternative performance measure has been provided as the board believes that it gives a useful additional indication of underlying performance.

	26 weeks to 26 Sept 09 £000	26 weeks to 27 Sept 08 £000	52 weeks to 28 March 09 £000
Profit before tax	11,462	9,398	4,213
Operating exceptional items	-	510	10,519
Share of associate's operating exceptional items	215	264	3,740
Share of associate's tax expense	665	1,731	685
Adjusted profit before tax	12,342	11,903	19,157

10. Restatement of comparative figures

In line with the restatements of the comparative figures in the statutory accounts to 28 March 2009, the comparative figures for September 2008 have been restated as follows:

(a) In the group income statement, the tax charge has been credited with £409,000 in respect of the release of deferred tax on impairment of properties for the prior period. In the group balance sheet, deferred tax liability and retained earnings have been restated accordingly.

(b) In the group balance sheet, the deferred tax liability has been reduced, and retained earnings have been increased, by £2,329,000 in respect of the release of deferred tax on impairment of properties and brands up to 29 March 2008.

(c) In the group balance sheet, the comparative figure relating to retirement benefit schemes has been restated. The net deficit on the three schemes has been split to show the deficit on the staff and works and healthcare schemes among non current liabilities and the surplus on the Ram Brewery Trust scheme among non current assets. This prior year adjustment corrects the classification of the pension schemes on the group balance sheet. Net assets are unaffected by this change in presentation.