YOUNG & CO.'S BREWERY, P.L.C.

INTERIM RESULTS FOR THE 26 WEEKS ENDED 2 OCTOBER 2017

INDUSTRY-LEADING PERFORMANCE DRIVEN BY CUSTOMER FOCUSSED APPROACH

	2017 £m	2016 £m	% change
Revenue	**144.1**	136.0	+6.0
Adjusted operating profit(1)	**27.8**	25.2	+10.3
Operating profit	**25.0**	24.9	+0.4
Adjusted profit before tax(1)	**24.9**	22.4	+11.2
Profit before tax	**22.1**	22.1	-
Adjusted basic earnings per share(1)	**41.15p**	36.3p	+13.4
Basic earnings per share	**35.62p**	38.35p	-7.1
Interim dividend per share	**9.41p**	8.88p	+6.0

All of the results above are from continuing operations.
(1) Reference to an "adjusted" item means that item has been adjusted to exclude exceptional items (see note 3).

PERFORMANCE HIGHLIGHTS

- Another period of strong performance with total revenue up 6.0% to £144.1 million;
- Well-invested and premium positioned managed houses delivered a 6.8% increase in total revenue and a 4.6% rise in like-for-like sales;
- Ram Pub Company (tenanted division) outperformed the market with like-for-like sales up 1.6%; total tenanted sales were impacted by a number of transfers to our managed house division;
- Investment of £14.3 million into a number of significant redevelopments in the estate as well as the additions of the Bull (Bracknell) and the Chequers (Hanham Mills);
- Acquisition of the iconic 'SMITHS' of Smithfield site, and its sister venue in Cannon Street, completed this week;
- Cash generation remained strong at £33.2 million, with net debt reduced by 7.0% to £117.7 million, improving our net debt to adjusted EBITDA ratio to 1.7 times;
- 21st consecutive year-on-year interim dividend increase with a 6.0% rise to 9.41 pence;
- Strong trading in the first six weeks of the second half, with managed house revenue up 7.0% in total and 4.9% like-for-like.

Patrick Dardis, Chief Executive of Young's, commented:

"We are very pleased with our excellent performance during the period, which once again underlines the strength and effectiveness of a consistent, premium strategy and customer-focussed approach.

"The pub is still the go-to place in Britain for drinking and eating out and, while much has been written about the challenges facing the pub industry, we believe that providing customers with well-invested pubs, a quality offer and outstanding customer service is key to our success.

"Despite the continuing unpredictability of our trading environment, we have made a strong start to the second half of the year. We are delighted to have acquired the iconic 'SMITHS' of Smithfield, which sits in the heart of the City, as well as its sister venue in Cannon Street, since the period end. Both sites are a fantastic fit with our portfolio of premium managed sites, with their focus on world class steaks, breakfasts, craft beer and quality drinks and we are very excited about the potential for us to build upon their existing offer going forward."

"Our expectations for the full year remain unchanged and we are confident about our long-term prospects thanks to our premium offer, well-invested and prime located pubs, and the talented teams we have in place across our business."

For further information, please contact:

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Patrick Dardis, Chief Executive
Steve Robinson, Chief Financial Officer

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INTERIM STATEMENT

I am delighted to announce these excellent results following another strong period of trading for us.

Total revenue for the 26 weeks ended 2 October 2017 was up 6.0% to £144.1 million, led once again by our well-invested and premium positioned managed houses which delivered a 4.6% increase in like-for-like sales.

Our performance for the period speaks volumes about the efforts of all our staff who work tirelessly to execute our growth strategy. The pub is still the go-to place in Britain for drinking and eating out and, while much has been written about the challenges facing the industry, we believe that providing customers with well invested pubs, a quality offer and outstanding customer service is key to our success.

By embracing current trends, ranging from our customers' ever-growing interaction with social media to behavioural changes in what and when they eat and drink, we are confident that our pubs will continue to be the venue of choice for our experience-driven society.

Total Group adjusted operating profit increased to £27.8 million, up 10.3%. Including one-off exceptional items, our operating profit was slightly up at £25.0 million. Our adjusted interim basic earnings per share was up 13.4% to 41.15 pence. We remain a highly cash-generative business, with an operating cash flow of £33.2 million in the six months, enabling us to reduce net debt to £117.7 million (April 2017: £126.6 million) and improve our net debt to adjusted EBITDA ratio to 1.7 times (April 2017: 1.9 times).

In line with our long-standing, progressive dividend policy, the board has raised the interim dividend by 6.0% to 9.41 pence, the 21st consecutive year-on-year increase.

BUSINESS REVIEW

MANAGED HOUSES

Over many years now, we have outperformed the market with consistently strong like-for-like sales and profit growth. Our managed estate, which comprises 177 pubs (including 23 hotels), again outperformed the sector, with revenue up 6.8% and up 4.6% on a like-for-like basis, resulting in adjusted operating profit growth of 11.1%.

During these six months, we benefitted from very warm early summer weather in June but, predictably, poor weather followed in August and September. These swings are not unusual and, overall, the British summer of 2017 was fairly typical and simply a reverse of 2016 when warmer conditions in August and September made up for a wetter June and July.

This summer, London was tragically affected by terror attacks. Once again though, Londoners and visitors to our capital showed their resilience in the face of such adversity. As a nation, we stand together to oppose such acts and our spirit remains undented. Similarly, our staff, some of whom found themselves caught up in the attack at London Bridge, remained steadfast in their responsibility to our customers and each other, and I am immensely proud of each and every one of them.

Overall, drink sales were up 7.5% in total and 4.6% on a like-for-like basis during the period. Our "Great Hop Expedition" initiative, which saw us team up with global and local craft brewers to challenge customers to be daring with their beer choices, helped sales of keg ales increase by 28.3%. We also saw huge growth in rosé wines up 31.9% and cocktails which were up 56.1%, the latter being driven by the ongoing enthusiasm of our Cocktail Collective offer which ensures we maintain a complete range of the most popular cocktails, served perfectly every time.

Food sales increased by 5.3% in total and 4.1% on a like-for-like basis and they now represent 30% of our revenue mix. Despite cost pressures on food, we've worked hard with our local suppliers to source the finest quality ingredients. Our highly talented and skilled kitchen teams are always learning through the power of our "Vegucation" programme, where we aim to bring unusual and lesser known ingredients to the fore each month, challenging chefs to use and interpret ingredients in their own style on their respective menus to ensure that our dishes remain authentic, fresh, natural and seasonal.

In recent years our hotel division has grown significantly and now stands at 486 rooms with over half of these now being boutique standard. The hotel estate, which has benefited from refurbishments completed in the previous year, delivered a strong performance that saw average room rates rise 5.7% from £81.19 to £85.85 while maintaining a consistent level of occupancy. As a result, our RevPAR increased by an impressive 6.6% to £68.01. Further growth opportunities for Young's hotels have been identified and are planned in the years to come.

We added four pubs to our managed house portfolio during the six month period. We acquired the Chequers (Hanham Mills) in July, transferred the Hope and Anchor (Brixton) and the King's Arms (Wandsworth) from our tenanted division, the Ram Pub Company, and, in conjunction with a £240 million regeneration of Bracknell town centre, opened the Bull, a grade II listed landmark that dates back to the 15th century. The heritage of the Bull has been restored and we've tastefully combined old and new elements, including a large south-facing terrace and a contemporary glass fronted extension to the rear.

Including new sites, we invested £12.0 million during the first six months of the year, a slight reduction on the previous year due to the timing of major developments with greater capital spend planned for the remainder of the year.

During the period, we redeveloped the Alexander Pope (Twickenham), Duke of Clarence (Chelsea), Elgin (Ladbroke Grove), Mitre (Bayswater) and the Princess of Wales (Clapton). We also gave the Spotted Horse (Putney) a new vibrant lease of life with a botanical feel throughout and a completely new rooftop bar, the "Juniper Terrace". It is equally pleasing to see that some of our longer-term investments are progressing as planned: the Nine Elms Tavern, which opened in 2015, is a great example and should flourish even further when the American Embassy opens shortly in Battersea.

I was very pleased for Young's to gain "employer provider" status which enables us to be an official training provider for apprentices. Being 186 years old, training our own staff is nothing new to us, but the role we play in society in providing careers and nurturing talent is now formally recognised. Our in-house training team will now deliver two exciting new chef academy programmes to 70 apprentices over the next 18 months whilst being able to draw down on the funds created by April's introduction of the Apprenticeship Levy. For us, the levy is an opportunity to help fund the growth of our own talent pool.

Young's On Tap, our own App, is growing in both its popularity and functionality and we've now had over 60,000 downloads. Its users are able to do everything from book tables and stays in our hotels to pay their bills and even request their favourite song.

THE RAM PUB COMPANY

Our smaller tenanted division, the Ram Pub Company, produced a resilient like-for-like performance with sales up 1.6%.

The contribution of our tenanted business has been impacted by three transfers into our managed houses and three disposals. In October 2016, our largest tenanted pub at the time, the Woolpack (Bermondsey), transferred into our managed house estate and was followed by the Hope and Anchor (Brixton) and King's Arms (Wandsworth) in May 2017. We also sold three small tenancies which sat at the tail of our estate for combined proceeds of £2.1 million: the Bell (Illminster), Court House (Dartford) and the King's Arms (Epsom). As a result, total sales were down 8.5% and adjusted operating profit was down £0.3 million to £2.4 million.

We operate a continual investment programme that ensures our pubs are maintained to a high standard to attract and retain entrepreneurial tenants. In the past six months we've completed major developments at the Gardeners (Wandsworth), Grand Junction Arms (Harlesden), Heartbreakers (Southampton) and the Robin Hood (Sutton).

INVESTMENT AND FINANCE

Our healthy balance sheet provides a strong core and the financial muscle to maximise opportunities both within and outside our current estate. Our net debt has reduced by £8.9 million to £117.7 million driven by the combination of an increased operating cash generation of £33.2 million and a lower investment of £14.3 million. Net debt as a multiple of the last twelve months' adjusted EBITDA has fallen to 1.7 times (April 2017: 1.9 times) and gearing now stands at 23.0% (April 2017: 25.7%), two of the strongest ratios in the sector.

The majority of the £2.8 million exceptional item expenditure in the period relates to the investment decision to bring two tenanted pubs into our managed house estate. The agreed compensation to terminate the tenants' lease agreements early, under IFRS, has been expensed and is included within exceptional items.

Compared with the last full year, the past six months has witnessed a slight increase in corporate bond yields, the rate at which our pension liabilities are discounted. This has resulted in our retirement benefit deficit decreasing on an accounting basis by £4.9 million to £7.9 million. The coming year-end sees the end of the current triennial review and we are working together with the pension trustee to ensure the pension scheme is appropriately funded.

As a consequence of these results we have increased our interim dividend for the 21st consecutive year, this time by 6.0% to 9.41 pence per share. This is expected to be paid on 8 December 2017 to shareholders on the register at close of business on 24 November 2017.

CURRENT TRADING AND OUTLOOK

In recent trading, over the last six weeks, we have continued to perform strongly with sales up 7.0% in total and up 4.9% on a like-for-like basis. The remainder of the year will benefit from the recent acquisitions and transfers including the Lord Palmerston (Tufnell Park) which transferred into managed houses in October and also the acquisition of the iconic 'SMITHS' of Smithfield site and its sister site in Cannon Street, which completed this week. 'SMITHS' of Smithfield is a perfect fit with our premium food and drink offering and will immediately become our largest venue with an average weekly take of over £100,000. Both 'SMITHS' of Smithfield and the Cannon Street site are leasehold properties with 32 years and 24 years tenure remaining respectively and we are confident that their focus on world class steaks, breakfast and craft beer will perfectly complement our existing estate. We continue to look actively for further opportunities to invest in the business, either by investing further in our existing estate or through our acquisition pipeline throughout the South.

Despite the strong start to the second half of our financial year, we continue to monitor trading conditions closely. The political environment remains unpredictable and this ongoing uncertainty is unhelpful when it comes to the strength of the broader economy. In particular, we remain concerned around the impact that the Brexit negotiations are having on the pub industry, especially in relation to attracting and retaining the best people in our pubs.

Nonetheless, our expectations for the full year remain unchanged and we remain confident about our long-term prospects thanks to our premium offer, well-invested and prime located pubs, and the talented teams we have in place across our business.

Patrick Dardis
Chief Executive
15 November 2017

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

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 2 October 2017 which comprises the group income statement, the group statement of comprehensive income, the group balance sheet, the group statement of changes in equity, the group statement of cash flow and the related explanatory notes. We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' Responsibilities

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

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

Our Responsibility

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

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and 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 Interim Report for the 26 weeks ended 2 October 2017 has not been prepared, in all material respects, in accordance with the accounting policies outlined in note 1, which comply with IFRS as adopted by the European Union, and in accordance with the AIM Rules issued by the London Stock Exchange.

Ernst & Young LLP
London
15 November 2017

Group income statement

For the 26 weeks ended 2 October 2017

	Notes	**Unaudited 26 weeks to 2 Oct 2017 £m**	Unaudited 26 weeks to 26 Sep 2016 £m	Audited 53 weeks to 3 Apr 2017 £m
Revenue		**144.1**	136.0	268.9
Operating costs before exceptional items		**(116.3)**	(110.8)	(222.8)
Adjusted operating profit		**27.8**	25.2	46.1
Operating exceptional items	3	**(2.8)**	(0.3)	(3.4)
Operating profit		**25.0**	24.9	42.7
Finance costs		**(2.7)**	(2.7)	(5.5)
Other finance charge	9	**(0.2)**	(0.1)	(0.2)
Profit before tax		**22.1**	22.1	37.0
Taxation	4	**(4.7)**	(3.4)	(7.0)
Profit for the period attributable to shareholders of the parent company		**17.4**	18.7	30.0

		Pence	Pence	Pence
Earnings per 12.5p ordinary share				
Basic	5	**35.62**	38.35	61.51
Diluted	5	**35.59**	38.33	61.47

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

Group statement of comprehensive income

For the 26 weeks ended 2 October 2017

	Notes	**Unaudited 26 weeks to 2 Oct 2017 £m**	Unaudited 26 weeks to 26 Sep 2016 £m	Audited 53 weeks to 3 Apr 2017 £m
Profit for the period		**17.4**	18.7	30.0
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss:				
Unrealised gain on revaluation of property		**-**	-	23.1
Remeasurement of retirement benefit schemes	9	**4.4**	(17.8)	(7.7)
Tax on above components of other comprehensive income	4	**-**	5.4	1.2
Items that will be reclassified subsequently to profit or loss:				
Fair value movement of interest rate swaps		**2.4**	(1.9)	1.3
Tax on fair value movement of interest rate swaps	4	**(0.4)**	0.2	(0.3)
		6.4	(14.1)	17.6
Total comprehensive income for shareholders of the parent company		**23.8**	4.6	47.6

Group balance sheet
At 2 October 2017

	Notes	**Unaudited At 2 Oct 2017 £m**	Unaudited At 26 Sep 2016 £m	Audited At 3 Apr 2017 £m
Non current assets				
Goodwill		**19.7**	20.6	19.9
Property and equipment	8	**692.1**	660.2	689.1
Deferred tax assets		**6.5**	9.1	7.4
Lease premiums		**7.4**	7.9	7.6
		725.7	697.8	724.0
Current assets				
Inventories		**3.0**	2.8	2.8
Trade and other receivables		**7.1**	6.0	7.2
Lease premiums		**0.6**	0.6	0.6
Cash		**5.4**	2.3	6.6
		16.1	11.7	17.2
Assets held for sale		**-**	-	1.3
Total assets		**741.8**	709.5	742.5
Current liabilities				
Borrowings		**(9.0)**	-	(28.5)
Derivative financial instruments		**(2.3)**	(3.4)	(2.9)
Trade and other payables		**(32.9)**	(33.4)	(35.3)
Income tax payable		**(5.7)**	(4.9)	(4.7)
		(49.9)	(41.7)	(71.4)
Non current liabilities				
Borrowings		**(114.1)**	(129.6)	(104.7)
Derivative financial instruments		**(6.1)**	(10.5)	(7.9)
Deferred tax liabilities		**(50.4)**	(49.3)	(51.6)
Retirement benefit schemes	9	**(7.9)**	(23.4)	(12.8)
Provisions		**(0.6)**	(1.1)	(1.1)
		(179.1)	(213.9)	(178.1)
Total liabilities		**(229.0)**	(255.6)	(249.5)
Net assets		**512.8**	453.9	493.0
Capital and reserves				
Share capital	10	**6.1**	6.1	6.1
Share premium	10	**5.7**	5.1	5.2
Capital redemption reserve		**1.8**	1.8	1.8
Hedging reserve		**(6.8)**	(11.5)	(8.8)
Revaluation reserve		**248.3**	227.2	247.7
Retained earnings		**257.7**	225.2	241.0
Total equity		**512.8**	453.9	493.0

Group statement of changes in equity

For the 26 weeks ended 2 October 2017

	Notes	Share capital and premium £m	Capital redemption reserve £m	Hedging reserve £m	Revaluation reserve £m	Retained earnings £m	Total equity £m
At 3 April 2017		**11.3**	**1.8**	**(8.8)**	**247.7**	**241.0**	**493.0**
Total comprehensive income							
Profit for the 26 week period		-	-	-	-	17.4	17.4
Other comprehensive income							
Unrealised gain on revaluation of property	8	-	-	-	-	-	-
Remeasurement of retirement benefit schemes	9	-	-	-	-	4.4	4.4
Fair value movement of interest rate swaps		-	-	2.4	-	-	2.4
Tax on above components of other comprehensive income	4	-	-	(0.4)	0.7	(0.7)	(0.4)
		-	-	2.0	0.7	3.7	6.4
Total comprehensive income		-	-	2.0	0.7	21.1	23.8
Transactions with owners recorded directly in equity							
Issued equity	10	0.5	-	-	-	-	0.5
Dividends paid on equity shares		-	-	-	-	(4.7)	(4.7)
Revaluation reserve realised on disposal of properties		-	-	-	(0.1)	0.1	-
Share based payments		-	-	-	-	0.3	0.3
Tax on share based payments		-	-	-	-	(0.1)	(0.1)
		0.5	-	-	(0.1)	(4.4)	(4.0)
At 2 October 2017		**11.8**	**1.8**	**(6.8)**	**248.3**	**257.7**	**512.8**
At 28 March 2016		**10.2**	**1.8**	**(9.8)**	**224.6**	**225.7**	**452.5**
Total comprehensive income							
Profit for the 26 week period		-	-	-	-	18.7	18.7
Other comprehensive income							
Unrealised gain on revaluation of property		-	-	-	-	-	-
Remeasurement of retirement benefit schemes	9	-	-	-	-	(17.8)	(17.8)
Fair value movement of interest rate swaps		-	-	(1.9)	-	-	(1.9)
Tax on above components of other comprehensive income	4	-	-	0.2	2.7	2.7	5.6
		-	-	(1.7)	2.7	(15.1)	(14.1)
Total comprehensive income restated		-	-	(1.7)	2.7	3.6	4.6
Transactions with owners recorded directly in equity							
Issued equity	10	1.0	-	-	-	-	1.0
Dividends paid on equity shares		-	-	-	-	(4.4)	(4.4)
Revaluation reserve realised on disposal of properties		-	-	-	(0.1)	0.1	-
Share based payments		-	-	-	-	0.2	0.2
Tax on share based payments		-	-	-	-	-	-
		1.0	-	-	(0.1)	(4.1)	(3.2)
At 26 September 2016		**11.2**	**1.8**	**(11.5)**	**227.2**	**225.2**	**453.9**

Group statement of cash flow

For the 26 weeks ended 2 October 2017

	Notes	**Unaudited 26 weeks to 2 Oct 2017 £m**	Unaudited 26 weeks to 26 Sep 2016 £m	Audited 53 weeks to 3 Apr 2017 £m
Operating activities				
Net cash generated from operations	7	**33.2**	33.1	63.5
Tax paid		**(4.6)**	(3.1)	(7.6)
Net cash flow from operating activities		**28.6**	30.0	55.9
Investing activities				
Sales of property and equipment		**2.1**	0.4	0.4
Purchases of property, equipment and lease premiums	8	**(11.9)**	(15.0)	(34.5)
Business combinations, net of cash acquired	8	**(2.4)**	(5.4)	(3.8)
Net cash used in investing activities		**(12.2)**	(20.0)	(37.9)
Financing activities				
Issued equity		**-**	0.1	0.2
Interest paid		**(2.9)**	(2.6)	(5.7)
Equity dividends paid		**(4.7)**	(4.4)	(8.7)
Repayments of amounts borrowed		**(10.0)**	(14.0)	(10.4)
Net cash flow used in financing activities		**(17.6)**	(20.9)	(24.6)
Decrease in cash		**(1.2)**	(10.9)	(6.6)
Cash at the beginning of the period		**6.6**	13.2	13.2
Cash at the end of the period		**5.4**	2.3	6.6

NOTES TO THE FINANCIAL STATEMENTS

1. Accounts

This interim report was approved by the board on 15 November 2017. 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 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 3 April 2017. The financial statements have not been prepared (and are not required to be prepared) in accordance with IAS 34: 'Interim Financial Reporting', with the exception of Note 4, taxation, where the tax charge for the half year to 2 October 2017 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. There are no IFRS, IAS amendments or IFRIC interpretations effective for the first time for the period ending 2 April 2018 that have had a material impact on the group.

For the financial period starting on or around 31 March 2019, the directors intend to adopt IFRS 16: Leases, which will replace IAS 17 and requires lessees to recognise a lease liability reflecting future lease payments and a right-of-use-asset in respect of virtually all leases currently classified as operating leases. The balance sheet will effectively be 'grossed up' but with no impact to net assets at the inception of each lease. The group income statement impact will contain a new interest charge, a lower rent charge and an increase in depreciation charge recognised on the right-of-use-asset. Early adoption is permitted. The group is yet to assess the full impact of the new standard.

IFRS 15: Revenue from Contracts with Customers will be effective for periods commencing on or after 1 January 2018. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or service to a customer. The group's revenue streams are not based on a number of performance obligations within a contract but at a point of sale, or rent over a lease term or accrued interest using the effective interest method. It does not enter into common arrangements and, although disclosure requirements are more extensive, the adoption of IFRS 15 is not expected to have material impact on the group's financial performance.

IFRS 9: Financial instruments will be effective for periods commencing on or after 1 January 2018. The new standard will impact classification, measurement and disclosure of financial assets and financial liabilities. Adoption is not anticipated to have a material impact on the group's financial performance or financial position.

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

Statutory accounts for the period ended 3 April 2017 have been delivered to the Registrar of Companies. The auditor's report on those accounts was unqualified and did not contain any reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report. Further, that report did not contain a statement under s. 498(2) or (3) of the Companies Act 2006 (adequate accounting records not kept, returns inadequate, accounts not agreeing with records and returns, or failure to obtain necessary information and explanations).

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

2. Segmental reporting

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

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

	26 weeks to 2 Oct 2017 £m	26 weeks to 26 Sep 2016 £m	53 weeks to 3 Apr 2017 £m
Revenue			
Managed houses	**137.5**	128.7	254.8
Ram Pub Company	**6.5**	7.1	13.8
Segment revenue	**144.0**	135.8	268.6
Unallocated income	**0.1**	0.2	0.3
Total revenue	**144.1**	136.0	268.9
Adjusted operating profit			
Managed houses	**35.0**	31.5	59.7
Ram Pub Company	**2.4**	2.7	5.1
Adjusted operating profit before unallocated expense	**37.4**	34.2	64.8
Unallocated expense	**(9.6)**	(9.0)	(18.7)
Adjusted operating profit	**27.8**	**25.2**	**46.1**
Operating exceptional items			
Managed houses	**(3.1)**	(0.3)	(4.7)
Ram Pub Company	**0.3**	-	1.3
Operating profit	**25.0**	**24.9**	**42.7**
Finance costs	**(2.7)**	(2.7)	(5.5)
Other finance charge	**(0.2)**	(0.1)	(0.2)
Profit before tax	**22.1**	22.1	37.0

3. Exceptional items and other financial measures

	26 weeks to 2 Oct 2017 £m	26 weeks to 26 Sep 2016 £m	53 weeks to 3 Apr 2017 £m
Amounts included in operating profit			
Tenant compensation[1]	**(2.8)**	-	(2.0)
Profit on sales of properties[2]	**0.3**	-	-
Net acquisition costs[3]	**(0.3)**	(0.3)	(0.2)
Loss on disposal of properties[4]	**(0.5)**		
Onerous lease provision released on disposal of property[4]	**0.5**	-	-
Goodwill disposal[5]	**-**	-	(0.7)
Upward movement on the revaluation of properties (note 8)[6]	**-**	-	3.0
Downward movement on the revaluation of properties (note 8)[6]	**-**	-	(3.5)
	(2.8)	(0.3)	(3.4)
Exceptional tax			
Change in corporation tax rate	**-**	1.0	0.9
Tax attributable to exceptional items	**0.1**	0.3	0.1
	0.1	1.3	1.0
Total exceptional items after tax	**(2.7)**	1.0	(2.4)

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

(2) The profit on sales of properties related to the difference between cash, less selling costs, received from the sale of the King's Arms (Epsom) and the carrying value of the assets at the date of sale.

(3) The acquisition costs related to the purchase of the Chequers Inn (Hanham Mills). They include legal and professional fees and stamp duty land tax.

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

(5) In the prior period, the goodwill disposal was a non-cash item that related to the Three Bells (Heathrow Airport) and the Five Tuns (Heathrow Airport) whose leases expired during the prior period. The Three Bells and Five Tuns formed part of the Geronimo group of cash generating units (which are the pubs trading under the Geronimo concept) and fell within the Geronimo managed houses operating segment.

(6) The upward movement on the revaluation of properties in the previous period related to a reversal of previous downward valuations in the income statement and the downward movement on the revaluation of properties related to an impairment charge.

Other financial measures

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

	26 weeks to 2 Oct 2017 £m	26 weeks to 26 Sep 2016 £m	53 weeks to 3 Apr 2017 £m
Profit before tax	**22.1**	22.1	37.0
Operating exceptional items	**2.8**	0.3	3.4
Adjusted profit before tax	**24.9**	22.4	40.4
Net finance costs	**2.7**	2.7	5.5
Other finance charges	**0.2**	0.1	0.2
Adjusted operating profit	**27.8**	25.2	46.1
Depreciation and amortisation	**10.8**	9.9	20.4
Adjusted EBITDA	**38.6**	35.1	66.5

4. Taxation

The taxation charge for the 26 weeks ended 2 October 2017 has been calculated by applying an estimate of the effective tax rate before exceptional items for the 52 weeks ending 2 April 2018 at 19.3% (2017: 21.0%).

Tax charged in the group income statement	**26 weeks to 2 Oct 2017 £m**	26 weeks to 26 Sep 2016 £m	53 weeks to 3 Apr 2017 £m
Current tax			
Corporation tax expense	**5.6**	4.8	8.9
Adjustment in respect of current tax of prior periods	**-**	-	0.2
	5.6	4.8	9.1
Deferred tax			
Origination and reversal of temporary differences	**(0.9)**	(0.1)	(0.7)
Change in corporation tax rate	**-**	(1.0)	(0.9)
Adjustment in respect of deferred tax of prior periods	**-**	(0.3)	(0.5)
	(0.9)	(1.4)	(2.1)
Tax expense	**4.7**	3.4	7.0
Deferred tax in the group income statement			
Property revaluation and disposals	**(0.6)**	(1.2)	(1.4)
Retirement benefit schemes	**0.1**	-	0.1
Capital allowances	**(0.5)**	(0.1)	(0.7)
Share based payments	**0.1**	(0.1)	(0.1)
Tax credit	**(0.9)**	(1.4)	(2.1)
Deferred tax in the group statement of comprehensive income			
Interest rate swaps	**0.4**	(0.3)	0.2
Retirement benefit schemes	**0.7**	(3.2)	(1.4)
Property revaluation and disposals	**(0.7)**	(0.5)	2.0
Change in corporation tax rate	**-**	(1.6)	(1.7)
Tax expense / (credit)	**0.4**	(5.6)	(0.9)

The reduction in the headline rate of corporation tax from 18% to 17% applicable from 1 April 2020 was substantively enacted on 15 September 2016. Accordingly, the deferred tax balances have been measured at 17% to reflect the new rate.

5. Earnings per ordinary share

(a) Earnings

	26 weeks to 2 Oct 2017 £m	26 weeks to 26 Sep 2016 £m	53 weeks to 3 Apr 2017 £m
Profit attributable to equity shareholders of the parent	**17.4**	18.7	30.0
Operating exceptional items	**2.8**	0.3	3.4
Tax attributable to above adjustments	**(0.1)**	(0.3)	(0.1)
Change in corporation tax rate	**-**	(1.0)	(0.9)
Adjusted earnings after tax	**20.1**	17.7	32.4

	Number	Number	Number
Basic weighted average number of ordinary shares in issue	**48,851,159**	48,757,952	48,774,457
Dilutive potential ordinary shares from outstanding employee share options	**35,615**	25,640	26,331
Diluted weighted average number of shares	**48,886,774**	48,783,592	48,800,788

(b) Basic earnings per share

	Pence	Pence	Restated Pence
Basic	**35.62**	38.35	61.51
Effect of exceptional items and other adjustments listed above	**5.53**	(2.05)	4.92
Adjusted basic	**41.15**	36.30	66.43

(c) Diluted earnings per share

	Pence	Pence	Restated Pence
Diluted	**35.59**	38.33	61.47
Effect of exceptional items and other adjustments listed above	**5.53**	(2.05)	4.92
Adjusted diluted	**41.12**	36.28	66.39

The basic earnings per share figure is calculated by dividing the net profit for the period attributable to equity shareholders of the parent by the weighted average number of ordinary shares in issue during the period. Diluted earnings per share have been calculated on a similar basis taking into account 35,615 (2016: 25,640) dilutive potential shares under our SAYE scheme.

Adjusted earnings per share are presented to eliminate the effect of the exceptional items and the change in corporation tax rate on basic and diluted earnings per share.

6. Dividends on equity shares

	26 weeks to 2 Oct 2017 Pence	26 weeks to 26 Sep 2016 Pence	53 weeks to 3 Apr 2017 Pence
Final dividend (previous period)	**9.62**	9.07	9.07
Interim dividend (current period)	**-**	-	8.88
	9.62	9.07	17.95

The table above sets out dividends that have been paid. The interim dividend, in respect of the period ended 2 October 2017, of 9.41 pence per share at a cost of £4.6 million is expected to be paid on 8 December 2017 to shareholders on the register at the close of business on 24 November 2017.

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

	26 weeks to 2 Oct 2017 £m	26 weeks to 26 Sep 2016 £m	53 weeks to 3 Apr 2017 £m
Profit before tax	**22.1**	22.1	37.0
Finance costs	**2.7**	2.7	5.5
Other finance charge	**0.2**	0.1	0.2
Operating profit	**25.0**	24.9	42.7
Depreciation	**10.3**	9.6	19.8
Amortisation of lease premium	**0.3**	0.3	0.6
Movement on the revaluation of property	**-**	-	0.5
Goodwill disposal	**0.2**	-	0.7
Net loss / (profit) on sales of property	**0.2**	(0.1)	-
Movement on onerous leases	**(0.5)**	-	0.1
Difference between pension service cost and cash contributions paid	**(0.7)**	(0.8)	(1.4)
Share based payments	**0.3**	0.2	0.4
Movements in working capital			
- Inventories	**(0.2)**	(0.2)	(0.3)
- Receivables	**0.1**	0.4	(0.8)
- Payables	**(1.8)**	(1.2)	1.2
Net cash generated from operations	**33.2**	33.1	63.5

Analysis of group net debt

	At 2 Oct 2017 £m	At 26 Sep 2016 £m	At 3 Apr 2017 £m
Cash	**5.4**	2.3	6.6
Current borrowings and loan capital	**(9.0)**	-	(28.5)
Non-current borrowings - loan capital and finance lease	**(114.1)**	(129.6)	(104.7)
Net debt	**(117.7)**	(127.3)	(126.6)

8. Property and equipment

	Land & buildings £m	Fixtures, fittings & equipment £m	Total £m
Cost or valuation			
At 28 March 2016	623.8	118.8	742.6
Additions	9.4	25.0	34.4
Business combinations	3.0	0.8	3.8
Disposals	(0.3)	(0.2)	(0.5)
Transfer out to assets held for sale	(1.6)	(0.3)	(1.9)
Fully depreciated assets	(6.5)	(22.8)	(29.3)
Revaluation			
- effect of upward movement in property valuation	27.0	-	27.0
- effect of downward movement in property valuation	(7.5)	-	(7.5)
At 3 April 2017	647.3	121.3	768.6
Additions	2.1	9.8	11.9
Business combinations	1.9	0.5	2.4
Disposals	(1.0)	-	(1.0)
Fully depreciated assets	(0.5)	(5.7)	(6.2)
Revaluation			
- effect of upward movement in property valuation	-	-	-
- effect of downward movement in property valuation	-	-	-
At 2 October 2017	**649.8**	**125.9**	**775.7**
Depreciation and impairment			
At 28 March 2016	38.9	53.9	92.8
Depreciation charge	1.6	18.2	19.8
Disposals	-	(0.1)	(0.1)
Transfer out to assets held for sale	(0.4)	(0.2)	(0.6)
Fully depreciated assets	(6.5)	(22.8)	(29.3)
Revaluation			
- effect of downward movement in property valuation	3.6	-	3.6
- effect of upward movement in property valuation	(6.7)	-	(6.7)
At 3 April 2017	30.5	49.0	79.5
Depreciation charge	0.9	9.4	10.3
Disposals	-	-	-
Fully depreciated assets	(0.5)	(5.7)	(6.2)
Revaluation			
- effect of downward movement in property valuation	-	-	-
- effect of upward movement in property valuation	-	-	-
At 2 October 2017	**30.9**	**52.7**	**83.6**
Net book value			
At 28 March 2016	584.9	64.9	649.8
At 3 April 2017	616.8	72.3	689.1
At 2 October 2017	**618.9**	**73.2**	**692.1**

8. Property and equipment (continued)

Revaluation of property and equipment

The values of the group's freehold land, freehold and long leasehold buildings and fixtures and fittings were reviewed in light of current market factors (but have not been updated as at 2 October 2017 from their year-end market values as there has been no material change in the current period) by Andrew Cox MRICS, the group's director of property and tenancies and a Chartered Surveyor, pursuant to the group's accounting policy. This review was carried out in accordance with the provisions of the RICS Valuation – Professional Standards January 2014 ('the Red Book'), which takes account of each property's highest and best use value.

Each individual pub is valued as a fully equipped operational entity after taking into account its trading potential, location, tenure, size and condition and other factors such as recent market transactions. Changes in these variables and assumptions could materially impact the valuations.

These values and the assumptions used to derive these values were discussed and reviewed with Andrew Cox and the board. The highest and best use of its properties does not differ materially from their current use.

These techniques are consistent with the principles in IFRS 13: Fair Value Measurement and use significant unobservable inputs such that the fair value measurement of each property within the portfolio has been classified as Level 3 (2017: Level 3) in the fair value hierarchy.

The key inputs to valuation are consistent with those set out in the group's audited accounts for the 53 weeks ended 3 April 2017.

9. Retirement benefit schemes

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

	26 weeks to 2 Oct 2017 £m	26 weeks to 26 Sep 2016 £m	53 weeks to 3 Apr 2017 £m
Changes in the present value of the retirement benefit schemes are as follows:			
Opening deficit	**(12.8)**	(6.3)	(6.3)
Current service cost	**(0.2)**	(0.2)	(0.3)
Contributions	**0.9**	1.0	1.7
Other finance charge	**(0.2)**	(0.1)	(0.2)
Remeasurement through other comprehensive income	**4.4**	(17.8)	(7.7)
Closing deficit	**(7.9)**	(23.4)	(12.8)

10. Share capital

Total share capital comprises the nominal value of the share capital issued and fully paid of £6.1 million (2017: £6.1 million) and the share premium account of £5.7 million (2017: £5.2 million). Share capital issued in the period comprises a nominal value of £nil (2017: £nil) and a share premium of £0.5 million (2017: £1.0 million).

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

11. Post balance sheet events

There were no post balance sheet events apart from the purchase of the freehold of the Phoenix (Chelsea) and the entire issued share capital of Smiths of Smithfield Limited.