

2012

INTERIM REPORT

For the 26 weeks ended 1 October

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Senior personnel, committees and advisers	IBC
Registered details	IBC

FINANCIAL HIGHLIGHTS

	2012	2011	
	£000	£000	
Revenue	100,189	90,468	+10.7%
Adjusted operating profit*	16,289	15,006	+8.5%
Operating profit/(loss)**	16,445	(13,545)	
Adjusted profit before tax*	13,854	12,454	+11.2%
Profit/(loss) before tax**	14,010	(16,097)	
Net cash generated from operations	16,282	14,671	+11.0%
Adjusted basic earnings per share*	22.13p	18.73p	+18.2%
Basic earnings per share**	24.06p	-30.09p	
Interim dividend per share	7.02p	6.68p	+5.1%

All of the results above are from continuing operations.

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

** In the prior period, the group changed its policy on valuing property and equipment from the cost model to the revaluation model. This gave rise to a net uplift in the value of property and equipment of £174.0 million. An upward movement of £203.1 million was recognised in equity, while the downward movement of £29.1 million was taken to the income statement resulting in the prior period loss before tax.

INTERIM STATEMENT

Revenue was up 10.7%, at £100.2 million. Profit before tax was £14.0 million; once adjusted for exceptional items, it was up 11.2% at £13.9 million.

The summer was definitely one of contrasting fortunes with a markedly different profile to last year's. The first quarter of our year was the wettest one on record which compared with a glorious late spring in 2011. The summer saw London, and the nation as a whole, rejoice in the Diamond Jubilee and the Olympic and Paralympic Games. This set of results reflects our success in making the most of the opportunities presented by the summer of celebration and our ability to generate superior returns from our high quality estate.

Our premium strategy, alongside our location in London and the south of England, has enabled us to deliver impressive like for like sales growth. We continue to refresh the quality and variety of our product portfolio and to invest in our pubs and our workforce to ensure we maintain our pub's ambience and high service standards.

We are soundly financed and asset backed with a progressive dividend policy. At the period end, we operated an estate of 237 pubs of which 195 were either freehold or

on long leases on peppercorn rents. Net debt at the period end was £117.1 million, our interest costs were covered 5.5 times by operating profits and gearing was 35.8%.

In light of all of the above, the board has decided to raise the interim dividend for the 16th consecutive year. A dividend of 7.02 pence per share, an increase of 5.1%, is expected to be paid on 14 December 2012 to shareholders on the register at the close of business on 30 November 2012.

BUSINESS REVIEW

MANAGED HOUSES

The managed operation, which at the period end comprised 121 Young's managed houses (including 16 hotels) and 35 Geronimo pubs, had an excellent six months with total sales up 12.9%, like for like sales up 5.7% and operating profits up 15.0%.

Young's managed houses revenue was up 6.8%. This strong growth was achieved broadly from an unchanged estate, the only additions being the Plough (Clapham Junction) and the Shaftesbury (Richmond) which were both transferred from our tenanted operations last year. Like for like growth was 6.1%. Certain well located Young's pubs saw very strong trading during

the key events of the summer, with our riverside sites performing strongly over the Jubilee weekend and sites such as the Dial Arch (Woolwich), our Wimbledon pubs, and those close to major transport hubs benefiting from the Olympic crowds. This was, however, offset by quieter trading in areas of London that did not see the extra footfall as a result of the Games.

Geronimo's revenue growth was driven predominantly by recent investments in new sites such as the Oyster Shed on the embankment near Cannon Street, the Cow and the Calf (both in the Westfield Shopping Centre in Stratford), and by the transfers from tenancy of the Half Moon (Putney), Chelsea Ram and the Princess of Wales (Clapton). Revenue was up 32.7%, with like for like growth of 4.5%. Situated next to the Olympic Park, the Cow and the Calf shattered all our previous sales records in the second week of the Games. The Calf, our first temporary site, helped increase our Olympic presence and closes after the Christmas sale period.

During the period, we invested £8.9 million in our managed houses – £6.5 million in Young's sites (of which £3.2 million was on hotels) and £2.4 million within Geronimo. Major beneficiaries were the Duke's Head (Wallington), Royal Phoenix (Victoria),

Princess of Wales (Clapton) and two major developments, the Foley Hotel (Claygate) and the King's Head (Roehampton), both of which opened in October.

Liquor revenue was 4.7% better than last year on a like for like basis, reflecting good growth in both Young's and Geronimo and the increased focus on a premium portfolio of products.

Food revenue was also comfortably ahead of last year, being 8.0% up on a like for like basis, again with growth being seen across both the Young's and Geronimo estates. Our premium food strategy, with a strong focus on local provenance, is an important factor in this success. Food accounted for 28.8% of total revenue in the period (2011: 28.5%).

Whilst we are, and will remain, first and foremost a pubs business, our hotels are an important part of our strategy. They continue to trade very well and provide a superior offering in today's market. At the period end we had 380 rooms in total, having added ten at the Bull's Head (Chislehurst) since this time last year. Accommodation sales were up 5.3% in total, the result of recent investments, successful online marketing and booking simplicity. RevPAR (revenue per available room)

INTERIM STATEMENT

(continued)

continues to improve and stands at £54.14, up 2.6% on last year and up from £46.16 two years ago. Further growth is anticipated in the second half following the opening of the Foley and we have identified other sites in our estate which may provide additional opportunities for expansion.

We have continued to develop our integrated digital marketing strategy, using e-marketing and social media channels such as Facebook and Twitter, to create a dialogue with our customers through their platform of choice. We have experienced a significant increase in online and mobile bookings over the last 12 months, and as a result we are developing mobile compatible sites for youngsons.co.uk and geronimo-inns.co.uk in order to take advantage of the latest technology.

At the centre of their communities, our pubs were ideal venues to enjoy the historic events that the summer of twenty twelve had to offer. Our Great British Summer started in June with street parties, barbeques, the big Jubilee lunch and afternoon teas and other community events. We also celebrated with our specially brewed Young's Jubilee Ale.

During the Olympics and Paralympics, a large number of our pubs ran their own opening

and closing parties. Within Young's, we celebrated every Gold Medal for Team GB with selected drinks at £2.12. Our Geronimo pubs all backed an Olympian, creating a shrine to their chosen athlete, generating patriotism and social media interest.

More generally, our private hire strategy is proving successful in creating multi-faceted businesses that are able to offer flexible space for private dinners, work parties and celebrations but also creating specific events to drive footfall to the pubs. These have included wine and food matching dinners, beer and cider tastings, film nights, scotch egg challenges and even a very successful "speed plating" event, a foodie twist on the more traditional speed dating. Over a quarter of our pubs now have Sales and Event Co-ordinators who maximise private hire opportunities and liaise with local businesses to generate incremental sales.

TENANTED HOUSES

As previously reported, our tenanted strategy is to focus on an estate of fewer but better quality and well invested tenanted pubs. In addition to last year's six disposals we sold a further five pubs in the first half: the Plough (Lambeth), Gorrington Park (Tooting), Marble Hill (Twickenham), Chequers (Cassington) and the Mitre (Richmond). This period's disposals generated proceeds of £2.8 million

and an exceptional profit of £0.4 million. Our lease expired on the City Retreat (Blackfriars). In addition, over the last 18 months we have transferred five tenanted pubs – the Half Moon (Putney), Chelsea Ram, Princess of Wales (Clapton), Shaftesbury (Richmond) and the Plough (Clapham Junction) – to our managed houses operation where we see greater opportunity.

As a result of this strategy, total sales in our tenanted division were down 14.2% to £6.2 million but on a like for like basis revenue was broadly flat. Total operating profit reduced by 19.0% to £2.3 million. Our tenanted estate now comprises 81 pubs, and generates just 6.2% of group revenue.

This refocusing allows us to concentrate on the best portfolio of both property and tenants and, whilst further disposals are possible from time to time, we are now comfortable with the estate that remains. We invested £0.5 million in that estate during the period. We continue to promote the traditional tenancy model and our packages remain attractive to new tenants, such as Lee and Keris De Villiers at the Old Sergeant (Wandsworth) which recently won the “Best Community Pub in Britain” title in the Great British Pub Awards.

INVESTMENT AND FINANCE

Operating profit adjusted for exceptional items increased by 8.5%, driven by strong like for like sales in our managed estate and returns from last year’s investments.

Net cash flow from operating activities was £16.3 million, £1.6 million higher than last year. We invested a total of £9.5 million. This investment was part funded by the disposal of five tenanted pubs for £2.8 million; these pubs were in what we believed to be long term decline and we felt that the capital would be better invested elsewhere.

Net assets per share, having taken account of deferred tax, are £6.78. Excluding deferred tax, this increases to £7.85. Both these asset figures exclude the benefit of any lotting premium.

Basic earnings per share were 24.06 pence and, once adjusted for exceptional items, were 22.13 pence, 18.2% higher than the corresponding period last year.

Our pension deficit fell by £2.1 million as a result of better investment returns and lower inflation expectations offset by marked reduction in bond yields, being the rate at which the liabilities of the scheme are discounted.

INTERIM STATEMENT

(continued)

Net finance costs were £2.4 million, £0.1 million lower than last year. The reduction is a result of our average borrowing being lower than the previous year and the continued benefit derived from the unwinding of the discount applied last year on the deferred consideration from the sale of our shareholding in Wells & Young's.

Net debt at the period end was £117.1 million, down £1.0 million over the period. £100 million has been effectively fixed at just below 5.0%, with none needing to be refinanced until December 2015.

Interest costs were covered 5.5 times by operating profits, and net debt was 3.0 times the last twelve months' EBITDA of £39.1 million.

We've increased the interim dividend by 5.1% to 7.02p, the 16th consecutive increase.

CURRENT TRADING AND OUTLOOK

Trading since the period end has been positive despite the fact we compete against very strong comparatives last year when the "Indian" summer stretched throughout October. Managed house revenue in the first seven weeks of the second half was up 9.4% in total and 6.0% on a like for like basis.

We have opened two new Young's managed pubs since the period end – the Cutty Sark (Greenwich) and the Narrowboat (Islington). We have also reopened two pubs: the Foley, following its transformation into a beautiful 17 bedroom hotel, and the King's Head. The much missed Wheatsheaf (Borough Market) which has been closed for three years will re-open before Christmas. We will continue to add to both the Young's and Geronimo estates as and when suitable and sensibly priced opportunities – either individual pubs or packages – become available.

We remain focused on driving profitable growth through the proactive management of our well invested estate. The consumer, understandably, remains cautious, but our premium offer continues to prove attractive. With the quality and talent within the business and our balance sheet strength, we believe that Young's remains in a strong position to continue to grow and deliver value to our shareholders.



Stephen Goodyear
Chief Executive
21 November 2012

INDEPENDENT REVIEW REPORT

INTRODUCTION

We have been engaged by the company to review the condensed set of financial statements in the Interim Report for the 26 weeks ended 1 October 2012 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 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 IFRSs 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 1 October 2012 has not been prepared, in all material respects, in accordance with the accounting policies outlined in note 1, which comply with IFRSs as adopted by the European Union and in accordance with the AIM Rules issued by the London Stock Exchange.

GROUP INCOME STATEMENT

For the 26 weeks ended 1 October 2012

	Notes	Unaudited 26 weeks to 1 Oct 2012 £000	Unaudited 26 weeks to 3 Oct 2011 £000	Audited 52 weeks to 2 Apr 2012 £000
Continuing operations				
Revenue		100,189	90,468	178,964
Operating costs before exceptional items		(83,900)	(75,462)	(152,802)
Operating profit before exceptional items		16,289	15,006	26,162
Operating exceptional items	3	156	(28,551)	(28,827)
Operating profit/(loss)		16,445	(13,545)	(2,665)
Finance costs		(2,977)	(3,059)	(6,135)
Finance revenue		295	151	537
Other finance income	10	247	356	769
Profit/(loss) before tax		14,010	(16,097)	(7,494)
Taxation	4	(2,407)	(2,571)	(3,540)
Taxation on property revaluation	4	–	4,141	5,640
Profit/(loss) for the period from continuing operations		11,603	(14,527)	(5,394)
Discontinued operations				
Loss for the period from discontinued operations	8	–	(1,117)	(1,117)
Profit/(loss) for the period		11,603	(15,644)	(6,511)
Attributable to				
Shareholders of the parent		11,601	(15,629)	(6,484)
Non controlling interest		2	(15)	(27)
Profit/(loss) for the period		11,603	(15,644)	(6,511)
		Pence	Pence	Pence
Earnings per 12.5p ordinary share				
Basic from continuing operations	5	24.06	(30.09)	(11.13)
Diluted from continuing operations	5	24.04	(30.09)	(11.13)
Basic from continuing and discontinued operations	5	24.06	(32.41)	(13.45)
Diluted from continuing and discontinued operations	5	24.04	(32.41)	(13.45)

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the 26 weeks ended 1 October 2012

	Notes	Unaudited 26 weeks to 1 Oct 2012 £000	Unaudited 26 weeks to 3 Oct 2011 £000	Audited 52 weeks to 2 Apr 2012 £000
Profit/(loss) for the period		11,603	(15,644)	(6,511)
Other comprehensive income				
Actuarial gain/(loss) on retirement benefit schemes	10	1,762	(3,331)	(4,088)
Hedging reserve fair value movement of interest rate swap		(2,336)	(9,008)	(8,215)
Unrealised gain on revaluation of property		–	203,065	203,065
Tax on above components of other comprehensive income	4	1,594	(42,684)	(41,222)
Discontinued operations' actuarial loss (net of deferred tax) on retirement benefit schemes		–	(377)	(377)
		1,020	147,665	149,163
Total comprehensive income		12,623	132,021	142,652
Attributable to				
Shareholders of the parent		12,621	132,036	142,679
Non controlling interest		2	(15)	(27)
Total comprehensive income		12,623	132,021	142,652

GROUP BALANCE SHEET

At 1 October 2012

	Notes	Unaudited At 1 Oct 2012 £000	Unaudited At 3 Oct 2011 £000	Audited At 2 Apr 2012 £000
Non current assets				
Goodwill		20,426	20,426	20,426
Property and equipment		504,118	497,361	502,042
Other financial asset	8	4,604	8,931	4,463
		529,148	526,718	526,931
Current assets				
Inventories		2,539	2,128	2,342
Other financial asset	8	4,899	4,997	4,749
Trade and other receivables		5,558	5,472	4,445
Cash		3,465	4,613	3,914
		16,461	17,210	15,450
Non current assets classified as held for sale		–	884	755
Total assets		545,609	544,812	543,136
Current liabilities				
Borrowings		(6)	(5,742)	(5)
Trade and other payables		(21,903)	(21,315)	(26,140)
Income tax payable		(3,835)	(3,210)	(2,469)
		(25,744)	(30,267)	(28,614)
Non current liabilities				
Borrowings		(120,576)	(123,385)	(121,978)
Derivative financial instruments		(14,559)	(13,016)	(12,223)
Deferred tax		(51,791)	(57,964)	(54,388)
Retirement benefit schemes	10	(6,169)	(9,946)	(8,290)
		(193,095)	(204,311)	(196,879)
Total liabilities		(218,839)	(234,578)	(225,493)
Net assets		326,770	310,234	317,643
Capital and reserves				
Share capital		6,028	6,028	6,028
Share premium		1,274	1,274	1,274
Capital redemption reserve		1,808	1,808	1,808
Hedging reserve		(11,211)	(9,762)	(9,290)
Revaluation reserve		160,157	157,543	158,731
Retained earnings		168,754	153,373	159,134
Equity attributable to equity shareholders of the parent		326,810	310,264	317,685
Non controlling interest		(40)	(30)	(42)
Total equity		326,770	310,234	317,643

GROUP STATEMENT OF CASH FLOW

For the 26 weeks ended 1 October 2012

	Notes	Unaudited 26 weeks to 1 Oct 2012 £000	Unaudited 26 weeks to 3 Oct 2011 £000	Audited 52 weeks to 2 Apr 2012 £000
Operating activities				
Net cash generated from operations	7	16,282	14,671	34,601
Interest received		4	5	5
Tax paid		(2,043)	(1,560)	(3,885)
Net cash flow from operating activities		14,243	13,116	30,721
Investing activities				
Sales of property and equipment		2,767	3,640	7,033
Sale of discontinued operations		–	–	5,100
Purchases of property and equipment		(9,457)	(12,200)	(25,605)
Net cash used in investing activities		(6,690)	(8,560)	(13,472)
Financing activities				
Interest paid		(3,006)	(3,128)	(6,154)
Equity dividends paid		(3,496)	(3,327)	(6,549)
(Decrease)/increase in borrowings		(1,500)	1,110	(300)
Increase/(decrease) in short term borrowings		–	3,070	(2,664)
Net cash flow used in financing activities		(8,002)	(2,275)	(15,667)
(Decrease)/increase in cash		(449)	2,281	1,582
Cash at the beginning of the period		3,914	2,332	2,332
Cash at the end of the period		3,465	4,613	3,914

GROUP STATEMENT OF CHANGES IN EQUITY

At 1 October 2012

	Notes	Unaudited 26 weeks to 1 Oct 2012 £000	Unaudited 26 weeks to 3 Oct 2011 £000	Audited 52 weeks to 2 Apr 2012 £000
Opening equity		317,643	181,517	181,517
Total comprehensive income				
Profit/(loss) for the period		11,603	(15,644)	(6,511)
Other comprehensive income				
Actuarial gain/(loss) on retirement benefit schemes	10	1,762	(3,331)	(4,088)
Hedging reserve fair value movement of interest rate swap		(2,336)	(9,008)	(8,215)
Unrealised gain on revaluation of property		–	203,065	203,065
Tax on above components of other comprehensive income	4	1,594	(42,684)	(41,222)
Discontinued operations' actuarial loss (net of deferred tax) on retirement benefit schemes		–	(377)	(377)
		1,020	147,665	149,163
Total comprehensive income		12,623	132,021	142,652
Transactions with owners recorded directly in equity				
Dividends paid on equity shares		(3,496)	(3,327)	(6,549)
Share based payments by discontinued operations		–	23	23
		(3,496)	(3,304)	(6,526)
Closing equity		326,770	310,234	317,643

NOTES TO THE FINANCIAL STATEMENTS

1. Accounts

This interim report was approved by the board on 21 November 2012. The interim financial statements are unaudited, and are not the group's statutory accounts as defined in s. 434 of the Companies Act 2006. They have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union that the group expects to apply in the 2013 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 2 April 2012, with the exception of three amended standards which are effective for the current financial year. The adoption of these by the group in the 2013 financial year is considered to have no effect on the group's operating results or financial position.

Statutory accounts for the period ended 2 April 2012 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 (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.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

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 executive board of the group 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 tenanted houses. 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. Due to common economic characteristics, similar product offerings and customers, the Young's managed houses and Geronimo managed houses operating segments have been reported below as a single reportable segment, managed houses. Tenanted houses 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.

There were intersegment revenues of £281,000 between the segments in the current period (2011: £215,000), which have been eliminated on consolidation. Intersegment sales are charged at current market prices. The group's revenue is derived entirely from the UK.

	26 weeks to 1 Oct 2012 £000	26 weeks to 3 Oct 2011 £000	<i>52 weeks to 2 Apr 2012 £000</i>
Revenue			
Managed houses	93,787	83,083	164,999
Tenanted houses	6,186	7,208	13,555
Segment Revenue	99,973	90,291	178,554
Unallocated income	216	177	410
	100,189	90,468	178,964
Operating profit before exceptional items			
Managed houses	21,604	18,780	35,257
Tenanted houses	2,300	2,838	5,286
Segment operating profit before exceptional items	23,904	21,618	40,543
Unallocated expense	(7,615)	(6,612)	(14,381)
	16,289	15,006	26,162
Finance costs	(2,977)	(3,059)	(6,135)
Finance revenue	295	151	537
Other finance income	247	356	769
Operating exceptional items	156	(28,551)	(28,827)
Profit/(loss) before tax from continuing operations	14,010	(16,097)	(7,494)

3. Exceptional items and adjusted profit before tax

	26 weeks to 1 Oct 2012 £000	26 weeks to 3 Oct 2011 £000	52 weeks to 2 Apr 2012 £000
Amounts included in operating profits:			
Profit on sales of properties	355	894	1,306
Compensation to terminate leases	(102)	–	(382)
Capital gains tax on ESOP allocated shares	(97)	(75)	(152)
Movement on the revaluation of properties	–	(29,110)	(29,110)
Acquisition costs	–	(260)	(489)
	156	(28,551)	(28,827)
Exceptional tax:			
Movement on the revaluation of properties	–	4,141	5,640
Tax attributable to other adjustments	(17)	–	(39)
Change in corporation tax rate	791	867	1,746
	774	5,008	7,347
Total exceptional items after tax	930	(23,543)	(21,480)

The profit on sales of properties relates to the difference between the cash, less selling costs, received from the sale of the Plough Inn (Lambeth), Marble Hill (Twickenham), Mitre (Richmond), Gorrington Park (Tooting) and the Chequers (Cassington) and the carrying value of the assets on the date of sale.

Compensation to terminate leases represents payments made to former tenants to enable properties to be moved into both the Young's managed houses and Geronimo managed houses operating segments. These payments followed the review of our tenanted estate which was conducted over the past two years and which is expected to be concluded by the end of the financial year.

The capital gains tax on ESOP allocated shares relates to the shares held within the Ram Brewery Trust II on behalf of the closed profit sharing scheme. A liability is recognised at each balance sheet date for the potential capital gains tax that could arise on the disposal of shares to the members of the scheme on retirement.

In the prior period, the movement on the revaluation of properties related to that period's revaluation exercise. The revaluation was conducted at an individual pub level and identified a downward movement of £29,110,000 which was taken to the income statement. The acquisition costs included legal fees and stamp duty incurred on the purchase of the freeholds of the Clarence (Whitehall), Fentiman Arms (Vauxhall) and the King's Head (Winchmore Hill).

Adjusted profit before tax

The table below sets out adjusted profit before tax. This alternative performance measure has been provided as the board believes that it gives a better indication of the group's underlying performance. All results below are from continuing operations.

	26 weeks to 1 Oct 2012 £000	26 weeks to 3 Oct 2011 £000	52 weeks to 2 Apr 2012 £000
Profit/(loss) before tax	14,010	(16,097)	(7,494)
Operating exceptional items	(156)	28,551	28,827
Adjusted profit before tax	13,854	12,454	21,333

NOTES TO THE FINANCIAL STATEMENTS

(continued)

4. Taxation

The taxation charge for the 26 weeks ended 1 October 2012 has been calculated by applying an estimate of the effective tax rate before exceptional items for the year ending 1 April 2013 at 22.95% (2011: 27.60%).

	26 weeks to 1 Oct 2012 £000	26 weeks to 3 Oct 2011 £000	52 weeks to 2 Apr 2012 £000
Tax charged in the income statement			
Current tax			
Corporation tax	(3,565)	(3,012)	(4,825)
Adjustment in respect of prior periods	156	–	229
	(3,409)	(3,012)	(4,596)
Deferred tax			
Origination and reversal of temporary differences	367	(426)	(875)
Adjustment in respect of prior periods	(156)	–	185
Movement on the revaluation of properties	–	4,141	5,640
Change in corporation tax rate	791	867	1,746
	1,002	4,582	6,696
Tax (expense)/credit	(2,407)	1,570	2,100
Presented in the income statement as follows:			
Taxation	(2,407)	(2,571)	(3,540)
Taxation on property revaluation	–	4,141	5,640
Tax (expense)/credit	(2,407)	1,570	2,100
Deferred tax in the statement of comprehensive income			
Interest rate swaps	561	2,342	2,136
Retirement benefit schemes	(423)	866	1,063
Movement on the revaluation of properties	–	(47,343)	(47,344)
Change in corporation tax rate	1,456	1,451	2,923
Tax credit/(expense)	1,594	(42,684)	(41,222)
Deferred tax in the income statement			
Property revaluation and disposals	744	4,247	4,926
Fair value gains on acquisition of subsidiaries	419	–	1,543
Other tax provisions	(156)	(10)	(72)
Retirement benefit schemes	(5)	(24)	(858)
Capital allowances	–	658	1,583
Utilisation of tax losses	–	(289)	(426)
Tax credit	1,002	4,582	6,696

The change in the UK corporation tax rate from 24% to 23%, which is effective from 1 April 2013, was substantively enacted on 3 July 2012. Accordingly, the deferred tax balances have been remeasured from 24% to 23%. Further changes to reduce the rate to 22% from 1 April 2014 have been announced. However, as the proposals had not been substantively enacted at the balance sheet date they have not been recognised in these results.

5. Earnings per ordinary share

(a) Earnings

	26 weeks to 1 Oct 2012 £000	26 weeks to 3 Oct 2011 £000	52 weeks to 2 Apr 2012 £000
Profit/(loss) from continuing operations	11,601	(14,512)	(5,367)
Loss from discontinued operations	–	(1,117)	(1,117)
Profit/(loss) attributable to equity holders of the parent	11,601	(15,629)	(6,484)
Profit/(loss) from continuing operations	11,601	(14,512)	(5,367)
Operating exceptional items	(156)	28,551	28,827
Tax on movement on revaluation of properties	–	(4,141)	(5,640)
Tax attributable to other adjustments	17	–	39
Change in corporation tax rate	(791)	(867)	(1,746)
Adjusted earnings after tax	10,671	9,031	16,113
	Number	Number	Number
Basic weighted average number of ordinary shares in issue	48,224,000	48,224,000	48,224,000
Dilutive potential ordinary shares from outstanding employee share options	30,256	–	–
Diluted weighted average number of shares	48,254,256	48,224,000	48,224,000

(b) Basic earnings per share

	Pence	Pence	Pence
Basic from continuing operations	24.06	(30.09)	(11.13)
Effect of exceptional items and other adjustments listed above	(1.93)	48.82	44.54
Adjusted basic from continuing operations	22.13	18.73	33.41
Basic from continuing operations	24.06	(30.09)	(11.13)
Basic from discontinued operations	–	(2.32)	(2.32)
Basic	24.06	(32.41)	(13.45)

(c) Diluted earnings per share

	Pence	Pence	Pence
Diluted from continuing operations	24.04	(30.09)	(11.13)
Effect of exceptional items and other adjustments listed above	(1.93)	48.82	44.54
Adjusted diluted from continuing operations	22.11	18.73	33.41
Diluted from continuing operations	24.04	(30.09)	(11.13)
Diluted from discontinued operations	–	(2.32)	(2.32)
Diluted	24.04	(32.41)	(13.45)

The basic earnings per share figure is calculated by dividing the net profit before the non controlling interest for the period attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period.

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

NOTES TO THE FINANCIAL STATEMENTS

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6. Dividends on equity shares

	26 weeks to 1 Oct 2012 Pence	26 weeks to 3 Oct 2011 Pence	52 weeks to 2 Apr 2012 Pence
Final dividend (previous period)	7.25	6.90	6.90
Interim dividend (current period)	–	–	6.68
	7.25	6.90	13.58

The table above sets out dividends that have been paid. The interim dividend, in respect of the period ending 1 April 2013, of 7.02p per share at a cost of £3,385,325 is expected to be paid on 14 December 2012 to shareholders on the register at the close of business on 30 November 2012.

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

	26 weeks to 1 Oct 2012 £000	26 weeks to 3 Oct 2011 £000	52 weeks to 2 Apr 2012 £000
Profit/(loss) before tax on continuing operations	14,010	(16,097)	(7,494)
Net finance cost	2,682	2,908	5,598
Other finance income	(247)	(356)	(769)
Operating profit/(loss) on continuing operations	16,445	(13,545)	(2,665)
Depreciation	5,733	5,968	11,840
Movement on the revaluation of properties	–	29,110	29,110
Profit on sales of properties	(355)	(894)	(1,306)
Difference between pension service cost and cash contributions paid	(112)	(621)	(2,621)
Provision for capital gains tax on ESOP allocated shares	97	75	152
Movements in working capital			
Inventories	(197)	95	(119)
Receivables	(1,113)	(585)	442
Payables	(4,216)	(4,932)	(232)
Net cash generated from operations	16,282	14,671	34,601
Analysis of group net debt			
	At 1 Oct 2012 £000	At 3 Oct 2011 £000	At 2 Apr 2012 £000
Cash	3,465	4,613	3,914
Loan capital and finance leases	(120,582)	(129,127)	(121,983)
Net debt	(117,117)	(124,514)	(118,069)

8. Discontinued operations

In the prior period, the group disposed of its entire 40% share in Wells & Young's Brewing Company Limited (Wells & Young's), its brewing associate. The disposal allowed Young's to increase its focus on its pubs and the cash generated is being used to expand the group's core business.

The consideration receivable for the company's shareholding was £15.1 million in cash. £5.1 million was received in February 2012, with the remaining £10.0 million receivable in two equal amounts in February 2013 and February 2014. The outstanding deferred consideration has been discounted to its present value and is recognised in the group's balance sheet as "Other financial asset" of which £4,899,000 is held under current assets and £4,604,000 is held under non current assets.

In the prior period, the discounted fair value of these proceeds less the carrying amount of the investment in associate and disposal costs resulted in a loss on disposal of £1.7 million:

	26 weeks to 1 Oct 2012 £000	26 weeks to 3 Oct 2011 £000	52 weeks to 2 Apr 2012 £000
Cash consideration	–	13,782	13,782
Net assets disposed	–	(15,455)	(15,455)
Disposal costs	–	(60)	(60)
Loss on disposal of discontinued operations	–	(1,733)	(1,733)

The results of the discontinued operations, which have been included in the group income statement, were as follows:

	26 weeks to 1 Oct 2012 £000	26 weeks to 3 Oct 2011 £000	52 weeks to 2 Apr 2012 £000
Share of associate's profit before exceptional items and tax	–	1,289	1,289
Share of associate's exceptional items	–	(401)	(401)
Share of associate's tax expense	–	(272)	(272)
Share of associate's post tax result	–	616	616
Loss on disposal of discontinued operations	–	(1,733)	(1,733)
Tax on loss on disposal of discontinued operations	–	–	–
Loss for the period from discontinued operations	–	(1,117)	(1,117)

During the prior year, Wells & Young's contributed £nil to the group's cash flows.

NOTES TO THE FINANCIAL STATEMENTS

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9. Property and equipment

In the prior period, the group changed its accounting policy for property and equipment from the cost model to the revaluation model. All of the group's freehold and leasehold land, buildings, fixtures and fittings were revalued at fair value, as at 3 October 2011, by independent chartered surveyors. The pubs were valued as fully equipped operational entities having regard to trading potential, and factors such as current and future projected income levels, taking account of the location, tenure, the quality of the pub and recent market transactions in the sector. Changes in these assumptions, such as the valuation basis applied in comparable market transactions or the income level generated by a pub, could materially impact the valuations.

The group revalues its property and equipment at each reporting date. To support this revaluation and as an indicator for changes in the fair value of the group's property estate, the group intends to obtain an external valuation, by independent chartered surveyors, on its entire estate evenly over a five year period.

10. Retirement benefit schemes

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

	26 weeks to 1 Oct 2012 £000	26 weeks to 3 Oct 2011 £000	52 weeks to 2 Apr 2012 £000
Changes in the present value of the retirement benefit schemes are as follows:			
Opening deficit	(8,290)	(7,592)	(7,592)
Current service cost	(354)	(382)	(740)
Contributions	466	1,003	3,361
Other finance income	247	356	769
Actuarial gain/(loss)	1,762	(3,331)	(4,088)
Closing deficit	(6,169)	(9,946)	(8,290)

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Nicholas Bryan, B.A., F.C.A.
Non-executive Chairman

Stephen Goodyear
Chief Executive

Torquil Sligo-Young
Human and Information Resources

Peter Whitehead, F.C.A.
Finance

Patrick Dardis
Retail

Rupert Clevely
Managing Director Geronimo Inns

Roger Lambert, M.A.
Non-executive Senior Independent Director

David Page
Non-executive

Company Secretary

Anthony Schroeder

Audit committee

Nicholas Bryan (Chairman)
Roger Lambert
David Page

Remuneration committee

David Page (Chairman)
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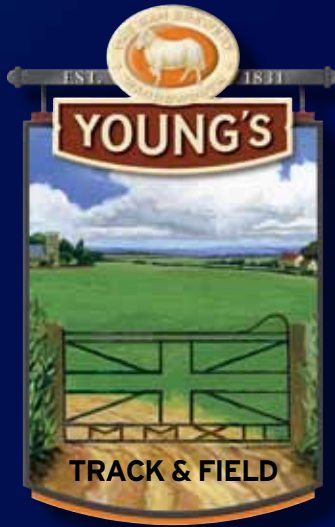
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