

**Annual Report 2007**

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## Financial highlights

	<b>2007</b>	Restated 2006	%
	£000	£000	change
<b>Turnover</b>	<b>126,636</b>	123,873	<b>+2.2</b>
<b>Turnover from retail operations*</b>	<b>113,346</b>	98,341	<b>+15.3</b>
<b>Operating profit before exceptional items</b>	<b>15,374</b>	13,492	<b>+13.9</b>
<b>Operating profit</b>	<b>14,665</b>	11,394	<b>+28.7</b>
<b>Adjusted profit before tax**</b>	<b>12,023</b>	10,146	<b>+18.5</b>
<b>Adjusted EBITDA**</b>	<b>24,199</b>	21,637	<b>+11.8</b>
<b>Profit on ordinary activities before tax</b>	<b>46,301</b>	7,502	<b>+517.2</b>
<b>Adjusted earnings per share**</b>	<b>75.36p</b>	58.72p	<b>+28.3</b>
<b>Basic earnings per share</b>	<b>391.29p</b>	39.39p	<b>+893.4</b>
<b>Dividend per share</b> (interim + recommended final)	<b>37.35p</b>	24.90p	<b>+50.0</b>
<b>Net assets per share***</b>	<b>£17.08</b>	£12.34	<b>+38.4</b>
<b>Gearing ratio</b>	<b>50.7%</b>	38.1%	<b>+33.1</b>

\* Includes sales through the managed pubs and sales and rents charged to the tenanted and leased estate.

\*\* Excludes exceptional items and includes share of associated undertaking's results. Share of associated undertaking's depreciation is £679,000 (2006 – £Nil).

\*\*\* Net assets per share excludes the recent Fleuret's valuation. If this valuation was incorporated the net assets per share would have been £31.96.

## Chairman's statement

This forms part of the directors' report on pages 16 to 22.



2006 was undoubtedly a momentous year for Young's.

The Ram Brewery and Buckhold Road sites were sold for £69 million. Production and brands were transferred to Wells & Young's Brewing Company Limited which, with the further acquisition of Courage Best and Directors, is now one of the largest cask ale brewers in Britain, bringing scale and focus to the market for real ale. Young's owns 40% of this business, with Charles Wells of Bedford owning the other 60%. Both Young's and Charles Wells remain entirely separate pub-owning companies, with a joint interest in Wells & Young's.

Meanwhile £36.4 million was spent on acquisitions, increasing the pub estate to 216 pubs, with a further investment of £8.9 million in existing pubs. Over half of our managed estate has now been refurbished in the last two years and this is planned to reach 80% by Christmas.

The early positive effects of all these changes are clear and, with adjusted profits before tax up from £10.1 million to £12.0 million, we plan to increase the final dividend by 50%.

So it has been a year of great change and great achievement. But most notably it was a year that will be remembered for the sad passing of a great servant to the company and to the British beer industry. John Young was a director of Young's for over 50 years and chairman for over 40, one of the longest serving company chairmen in British corporate history. His death in September 2006, after a long and courageous battle with cancer, marked the end of an era. He will be remembered by those who knew him for his warmth and generous nature and by the many shareholders who attended his often highly entertaining AGMs as a charismatic, larger than life character and a true showman.

John was a strong supporter of the changes made to the business over the year, which he believed were in the best interests of shareholders whilst still preserving the unique heritage of our beers. It was particularly poignant that his death should occur in the week that the last barrels of beer were being brewed at the Ram Brewery and the first were being brewed by Wells & Young's in Bedford. John will certainly be a difficult act to follow, but there is no doubt that he left the business in vibrant health.

The Brewery closure meant saying goodbye to numerous friends and colleagues who contributed hugely over many years to Young's success. Some moved on to Wells & Young's, some opted for early retirement and others started new positions elsewhere. Our thanks and good wishes go with them all. After the year end we moved to new, modern offices in Riverside House, Osiers Road by the river in Wandsworth.

I am pleased to be able to inform shareholders that we have resolved the question over the future of our team of shire horses. Young's has assisted Kevin Flynn, head horsekeeper, in establishing a new business venture, based in Newdigate, Surrey, which will offer heavy horse team driving as a unique form of corporate hospitality. Both Young's and Wells & Young's will retain access to the shire horses for representation at events, including pub openings. We are pleased to have found a satisfactory solution and wish Kevin every success in this new venture.





## Chairman's statement

(continued)

The results for the year reflect the many changes that have taken place in the business and these are detailed in the chief executive's report. They also reflect the efforts of everyone at Young's who played a part in this success and who, despite distractions, remained focused on doing what we at Young's strive to do best – delighting our customers with great beer and great service across our estate of great pubs. On behalf of all shareholders I would like to thank everyone for their efforts.

There were other changes to the board in the year. We said farewell and thank you to two long-serving family directors who left the board at the end of our financial year. Brian Palmer had been a member of our board since 1965, including a period as executive director running our Wines and Spirits operation from 1974 to 1980. With his background in advertising and marketing consultancy, Brian made a particular contribution in the development of the Young's brand and played an important part in helping to shape the new Young's. His work and wisdom were much valued by us all.

James Young also retired in March. He had worked at Young's for over 30 years and had been on the board since 1984 and deputy chairman since 1989. As production director, James played a key role in the many awards Young's received over the years for the quality and originality of its beers. Most recently, he was involved in the smooth transfer of Young's brewing activities from Wandsworth to Wells & Young's. The completion of this at the end of 2006 led James to decide that this was a good moment for him to stand down from the business.

In July we welcomed Nicholas Bryan as a non-executive director. Nick, currently chief executive and co-founder of the Innserve Group, has a wealth of expertise in the hospitality, property and brewing sectors gained through various senior positions in the industry, including managing director of Courage and a non-executive director of Innpreneur. His experience and wise counsel have been great assets to the board during the period.

So we entered the new year in good shape: a focused, high quality pub business, but with a strong link to our beers and our heritage, continuing our unique offering of Young's beers in Young's pubs. We are pleased with the way Wells & Young's is progressing and delighted with the quality of the beer it is producing. We look forward to a long and mutually beneficial association with Charles Wells.

I am in no doubt that the changes we have implemented at Young's during the year will prove fundamental to the continuing success of the business over the long term. As a sign of our confidence in the future and having begun to see already a step change in our financial performance, the board is proposing a final dividend of 19.35p, bringing the total dividend for the year to 37.35p, an increase of 50%. If approved by shareholders, the final dividend is expected to be paid on 12 July 2007 to shareholders on the register at the close of business on 15 June 2007.

*Chris Sandland*

Christopher Sandland  
Chairman



## Chief executive's report

This forms part of the directors' report on pages 16 to 22.

### Operational review

After a first half of enormous change at Young's, which included our brewing joint venture with Charles Wells, the sale of the Ram Brewery and nearby office and warehouse space, our Wandsworth sites, and a significant investment in our retail estate, our second half trading and profits have prospered, demonstrating the benefits of these actions.

Turnover was up 2.2% for the year. Increased managed pubs sales and sales to our tenanted and leased estate have more than offset the loss of wholesale turnover since the brewery closed at the end of September. These sales were up 15.3% for the year, and up 17.9% in the second half alone. More importantly, adjusted profit in the second half, which excludes exceptional items, was up 34.7%, as the benefits of significant prior year investment in our estate and the improved supply terms from Wells & Young's were demonstrated.

The results for the year as a whole are, however, distorted by a number of exceptional operating and non-operating one-off items. Reported profit before tax was £46.3 million (2006: £7.5 million). This includes a £46.6 million profit on the sale of the Wandsworth sites, as well as £9.0 million of exceptional costs connected with this deal and the formation of Wells & Young's. In addition, we completed the final phase of our restructuring just after the end of the year, with the relocation of our head office from the Ram Brewery to new, modern offices at Riverside House in Wandsworth. Excluding these adjustments, profit before exceptional items and tax was £12.0 million and adjusted earnings per share were 75.36p, up 18.5% and 28.3% respectively.

The foundations are now firmly in place for Young's continued success. We have a clear retail and property strategy which has already begun to deliver a step change in our financial performance. As a result the board, as it did at the half year, is proposing a 50% increase in the dividend. With a final dividend of 19.35p, the total dividend for the year will be 37.35p, a sign of our confidence in the future.

### Retail operations

With the transfer of our brewing and wholesaling activities to Wells & Young's, our focus is now firmly on our retail activities and these have performed very well in the year, particularly in the second half, primarily as a consequence of improved purchasing economies. Benefits from significant recent investments are also beginning to be achieved.

Our strong retail performance gives us great confidence in our strategy of positioning Young's at the premium end of the pub sector, differentiating our offer in a competitive market place by exploiting our excellent locations, customer focused designs, high service standards, quality food and market leading drinks. We have never been more proud of the overall quality of our estate.

Young's retail business comprised 216 pubs at the year end, of which 176 were freehold and 10 were leases with in excess of 45 years to run, with rents that in total amounted to less than £10,000. 114 of these pubs were operated as managed pubs and 102 as tenanted or leased ones.



### Managed pubs

The managed division saw an increase in turnover of 18.1% to £98.6 million. Like for like sales increased 10.5% on a same outlet basis and 6.9% on an uninvested basis. Strong like for likes, transfers from tenanted, new developments and acquisitions all contributed to an increase of 17.6% in our managed division's operating profit.

The improvement in operating profit was most marked in the second half, with an increase of 29.4% year on year, as the full benefits of the drinks supply agreement with Wells & Young's took effect. This improvement was achieved despite the impact of closures during our refurbishment programme, large start up costs incurred on pubs acquired in the year, long lead times for our newly built riverside sites as well as ongoing increases in the minimum wage, utilities and business rates.

Operational improvements have played a significant part in driving our like for like sales and profits. New management initiatives have created a total service culture within our pubs, with imaginative and extensive training programs designed to drive increased trade. This has been delivered in tandem with the continued roll-out of our websites which currently allow targeted marketing benefits for nearly half of our estate. In March alone, our pub websites enjoyed over 120,000 hits, showing massive month on month growth.

Food has been a significant growth driver across our managed pubs, where our high quality, individual, non-branded offering has led to an overall growth in food sales of 33.0%. Food sales now account for 23.6% of total managed sales.

We have also seen a welcome return to growth from our hotel rooms reflecting the benefits of our room refurbishment programme which was completed in the year and which has targeted consumer demand for boutique hotels. This has coincided with a more buoyant tourist market in London. RevPar for all our hotel rooms (average room rate achieved multiplied by occupancy percentage) was up 10.3% at £40.14.

We invested a total of £38.4 million in our managed estate in the year, of which £7.5 million was on existing pubs and £30.9 million on acquisitions. Nine major developments were completed at the Windmill in Clapham, the Ship and the Alma in Wandsworth, the Duke's Head in Putney, the Bear in Esher, Horts in Bristol, the Dog & Fox in Wimbledon, the Lamb Tavern in Leadenhall Market and the Double Locks in Exeter. In addition, three new Thames-side pubs – the Riverside in Vauxhall, the Waterside in Fulham and the Waterfront in Battersea – were also developed and opened. Our estate now includes 13 Thames-side pubs, the largest estate of this kind of any pub group.

We acquired and developed eight pubs in the year: the Grange in Ealing, the Prince Alfred in Maida Vale, the Fire Stables in Wimbledon, the Crown & Anchor near Chichester, the Grove in Camberwell, the Waterfront in Battersea, the Hollywood in Fulham and the Hand & Spear in Weybridge. Despite the impending smoking ban, pub prices remain at historically high levels, particularly in London. Whilst we are constantly looking to add to our managed estate, we will only invest in acquisitions that meet our strict investment criteria and produce returns in excess of our cost of capital.

The success of our refurbishments and developments is most encouraging. Over half of the managed estate has been refurbished in the last two years and this figure is planned to reach 80% by the end of this calendar year. The pubs that have now finished their first full year post refurbishment investment of £3.3 million are generating sales growth of 79.7% and a return on invested capital of 24.5%.

We believe we are well prepared for the smoking ban, which comes into effect on 1 July. In recent years, all development activity has included, where appropriate, investment in covered, well-lit and comfortable outside areas that will enable those customers who wish to smoke to be able to do so in comfort. Already we have introduced no smoking in about a quarter of the managed estate and these pubs are adjusting well. We plan to have all pubs non-smoking ahead of the 1 July ban and, whilst there may be some initial downside from the ban, we believe that the medium to long term effects will be positive for Young's, especially with our enhanced food offering and premium market positioning.

### Tenanted and leased pubs

The tenanted and leased division's turnover was down 0.6% to £14.7 million but profit was up 7.3% and like for like profits increased by 4.6%. This improvement in profit was achieved despite the transfer during the year of some landmark tenanted pubs back into management (The Ship and the Alma in Wandsworth and the Duke of Cambridge in Battersea) and reflects the improved drink supply terms that benefited second half trading.

We invested £6.9 million in the tenanted and leased estate in the year, of which £5.5 million was on six new freehold pubs. We have created a new tenanted site from part of our Dog & Fox redevelopment, and disposed of one freehold and five leasehold pubs. Investments in the year have focused on helping our tenants prepare for the smoking ban, with all but nine of our tenancies having outside areas that can be used to provide an opportunity to smoke.

We believe the tenanted estate provides substantial opportunity for growth. We have put in place a five year investment programme for the tenanted estate in which the pubs will be refurbished to bring them into line with the quality standards present in our managed estate. In addition to investing alongside our tenants, we intend to increase markedly the number of long leases that we grant. Such a format inevitably attracts the best operators and should result in a significant improvement in sales and profits.

The following sites were all transferred from management: the Gardener's Arms in Wandsworth, the Pig and Whistle in Earlsfield, the King's Arms in Mitcham, the Princess of Wales in Merton, the Princess of Wales in Clapton and the Square Tavern in Euston.

### Wells & Young's Brewing Company

Wells & Young's commenced trading at the beginning of October. This marked the culmination of many months of hard work on the integration of the two businesses, including the successful matching of Young's beers achieved through the dedication and expertise of our respective brewing teams.

The combination of Charles Wells and Young's brewing interests has created a substantial new beer company, with a broad portfolio of specialty cask ale and lager brands, led by Young's Bitter (standard) and Wells Bombardier (premium).

This portfolio was further strengthened in January with the acquisition of the Courage beer brands (Courage Best Bitter, Directors, Courage Mild and Courage Light Ale) from Scottish & Newcastle. These brands have strong consumer recognition which we believe will prosper with Wells & Young's and will additionally have a dramatic impact on its brewing capacity utilisation and allow the business to focus on its core own brands.

From 29 September 2006 (date of investment) to 31 March 2007, Wells & Young's, which is treated as an associated undertaking in our financial statements, had sales of £89.5 million and through our 40% share, Young's benefited from pre-exceptional profits of £0.1 million and EBITDA of £1.0 million after adjusting for £0.2 million of exceptional costs. The exceptional items reflect the restructuring costs incurred as the two businesses were put together, as well as the costs associated with the purchase of the Courage brands. Following this acquisition Wells & Young's is now one of the leading cask ale brewers in the United Kingdom and the range and quality of beers in our pubs has never been better. It is however a business in transition and we anticipate it making a growing contribution to our performance in the years ahead.

### Investment and finance

During the course of the year we invested a total of £56.8 million. This included £45.3 million on new and existing pubs and £10.0 million as part of our investment in Wells & Young's. The investment has been funded by new short dated bank facilities and a £4.0 million improvement in working capital, largely as a result of the brewery merger. Net debt at the end of the year was £101.2 million and gearing was at 50.7%. Cash receipts from sale of the Wandsworth sites fall due within the new financial year; the first £10.3 million in July with the remaining £58.7 million in January. These receipts along with the improved financial performance of the business provide the opportunity for further investment in the business or capital returns to shareholders as appropriate.

The Ram Brewery site will be vacated during the current financial year. Its ongoing decommissioning will continue until handover in January 2008. The impact of this is expected to be neutral to Young's over the period as the costs are expected to be offset by receipts from the sale of scrap, reclaimed materials and any other items of interest that arise from this work.

In November we commissioned Fleurets Chartered Surveyors to revalue our entire estate. The market value of the estate was determined as £399 million, an uplift of £174 million on the then book value. There has been some estate activity since then both in terms of investment and disposal. The valuation has not been incorporated into the financial statements; if it had, allowing for the recent estate activity, the net assets per share would have increased by £14.88 per share to £31.96. This valuation was made in accordance with the RICS Appraisal and Valuation Standards (Red Book) and represented the aggregate sum of the property assets. It was not a portfolio valuation and the value of the estate as a single entity would have been significantly higher.

Shortly after the year end we proposed to stockholders the early redemption of our 9.5% debenture stock due 2018 and gave notice of our intention to accept certain offers for this stock. On 16 May 2007 stockholders approved the proposal and the stock was redeemed on 21 May 2007. This debenture was expensive in terms of coupon and inflexible with regards certain covenants. This is a non-adjusting post balance sheet event and will result in a £6.9 million exceptional loss in the new financial year. In connection with this we negotiated a new £40.0 million revolving credit facility expiring on 16 May 2008.

At the year end £39.2 million (38.7%) of net debt was at fixed interest rates, of which £29.1 million related to the debenture



## Chief executive's report

(continued)

referred to above. The board recognises there is always an interest rate risk attached to variable rate borrowings but having taken into account the proceeds due within the next twelve months from the unconditional sale of the Wandsworth sites to Minerva, it believes this risk is not inappropriate.

### Strategy

Young's is a focused pubs and property business; operating managed, tenanted and leased pubs in London and Southern England. Our strategy, as set out in the interim results in November, is as follows.

#### Active operational management

We seek to position the Young's estate at the premium end of the pub market, focusing on the style, quality and individuality of each outlet. We measure ourselves against the best individual pub and restaurant operators in the locations where we trade, with a strong emphasis on service and training and by maintaining a high level of investment in the estate.

By investing in high quality pub design, ambience, food, service and ensuring a premium drinks offering, we have an operational strategy to drive performance. Through this investment, further innovation and the differentiation of the Young's brand, we plan to deliver both absolute and like for like sales growth. Our premium strategy aims to attract more customers and improve gross margins.

#### Active estate management

Organic growth will be augmented by the active management of our estate, including acquisitions of individual pubs or pub packages to build scale to the business and maximise value for shareholders. We have in place an operating infrastructure and management team capable of managing a significantly larger pub estate and we are actively exploring acquisition opportunities to deliver this.

We will monitor the balance of the estate between managed, tenanted and leased to ensure that we are adopting the most beneficial format and we will maintain our programme of investments in high returning projects across the existing pub estate. Where appropriate, we will continue to make disposals. Our overriding property objective is to maximise returns, whilst maintaining and improving the overall quality of the Young's estate.

We will target pubs that meet our strict investment criteria and produce returns in excess of our cost of capital. Acquisitions will be focused on our existing trading areas of London and Southern England. In line with the board's stated policy, investment opportunities will be measured against the benefits of returning capital to shareholders.

#### Outlook and current trading

The benefits of our strategy are evidenced by our trading performance. Trading in our pubs in the first eight weeks of the current financial year has been strong, building on the momentum achieved in the second half and benefiting from good weather in April. Total sales for the period to 26 May were up 25.1% and up 9.6% on an uninvested like for like basis.

Whilst there are clearly near term risks for our industry, from the smoking ban and pressures on consumer spending, we believe we are well prepared to face these challenges. In addition to continuing like for like growth and positive operational performance, our financial results in the coming year will benefit from a full year effect of improved drink supply terms, first full year returns on acquisitions and major developments in 2007, reduced head office costs, the initial interest benefit from the cash receipts of the brewery sale and an improving contribution from Wells & Young's.

Young's is a business in very good shape. We have a strong customer offering, a great team and a clear strategy for growth. We face the future with considerable confidence.

Stephen Goodyear  
Chief executive

## The board of directors



**Christopher Sandland, A.C.M.A., M.Sc.**

*Non-executive chairman*  
Joined the company in 1973 and appointed to the board in 1990. Worked in a variety of roles within the company, latterly as company secretary and personnel director. Became non-executive chairman in October 2006 having retired as an executive director in April 2006 and rejoined the board as a non-executive director in July 2006. Aged 58.



**Stephen Goodyear**

*Chief executive*  
Joined the company in 1995 as sales director. Appointed to the board in 1996 as sales and marketing director. Appointed chief executive in 2003. One of the company's nominees on the board of Wells & Young's Brewing Company Limited. Previously worked for Courage Ltd (1974-1995) in a number of senior roles, most recently business unit director. Aged 51.

**Torquil Sligo-Young**

*Information services*  
Joined the company in 1985. Held a number of senior positions in different areas of the company before being appointed to the board in 1997. Has overall responsibility for the company's technological needs and development. Previously worked for stockbrokers Bell, Lawrie, Macgregor & Co. Aged 47.



**Peter Whitehead, F.C.A.**

*Finance*  
Joined the company and the board as finance director in 1997. One of the company's nominees on the board of Wells & Young's Brewing Company Limited. Qualified as a chartered accountant with KPMG in 1988, becoming a fellow of the Institute of Chartered Accountants in 1998. Previously worked for Fuller, Smith & Turner P.L.C. (1990-97). Aged 45.



**Patrick Dardis**

*Retail*  
Joined the company in 2002 and appointed to the board in 2003. Has overall responsibility for the operation of the company's managed, tenanted and leased estate as well as pub acquisitions and developments. Previous positions have included director of retail operations at Wolverhampton & Dudley PLC, business development with Guinness Brewing and retail management with Whitbread PLC and Courage Ltd. Aged 48.

**Roy Summers, O.B.E., D.Univ., F.I. Brew.**

*Non-executive and senior independent director*  
Appointed to the board in 1995. Member and chairman of the company's audit and remuneration committees. Previously a main board director of Scottish & Newcastle plc (1980-95). Past president of the Institute of Brewing, chairman of Thistle Pub Company II plc and non-executive director of Canongate Technology Ltd and a number of other companies. Director of the International Centre for Brewing and Distilling at Heriot Watt University. Aged 71.



**Nicholas Bryan, B.A., F.C.A.**

*Non-executive*  
Appointed to the board in 2006. Member of the company's audit and remuneration committees. Currently chief executive and co-founder of the Innserv Group. Has a wealth of expertise in the hospitality, property and brewing sectors gained through various positions within Courage (including managing director of Courage UK (1992-95) and non-executive director of Intreprenuer (1991-94)). Has held other chairman and non-executive director roles while a management committee member of Investcorp (1995-2001). Began his career in finance as a chartered accountant and with positions at Lonrho and Hanson. Aged 54.







## A simplified profit and loss account

What's poured in	£000
Turnover is the total amount of money that has been charged for our products and services. It includes sales of beers, wines and spirits, other sales over the bar, including food, the letting of hotel rooms, and rent from the tenants of our pubs	
<b>Turnover</b>	<b>126,636</b>

### What's poured out

Out of this, we have to pay for:

<b>Raw materials, wines, spirits and beer from other brewers</b>	33,054
<b>Beer duty</b>	5,533
<b>Wages, salaries and pensions</b>	38,743
<b>Profit sharing</b>	899
<i>All eligible employees become members of the profit sharing scheme after five years' service. A two-part share this year is £5,470.</i>	
<b>Repairs to licensed properties</b>	2,230
<b>Depreciation</b>	7,810
<b>Other operating costs</b>	22,993
<b>Total expenses</b>	<b>111,262</b>

### What's left

We are now left with our <b>operating profit before exceptional items</b> from which we have to add/(deduct):	15,374
<b>Share of operating profit of Wells &amp; Young's</b>	336
<b>Exceptional items</b>	36,439
<b>Net interest charge</b>	(3,687)
<b>Discount of site proceeds</b>	(2,161)
<b>Profit before tax</b>	<b>46,301</b>

Our profit is then divided between:

<b>Corporation tax</b> – the government's share	890
<b>Dividends</b> – the shareholders' return	3,589
<b>Profit retained</b> – for investment in the future	41,822
	<b>46,301</b>

## A simplified balance sheet

What we own	£000
<b>Fixed assets</b>	
Pubs, hotels, restaurants and other assets	232,286
Investment in Wells & Young's	22,458
<b>Stocks</b> – beer, wines and spirits	1,431
<b>Debtors</b>	
Money owed by customers and others	4,697
Money receivable for sale of Wandsworth sites	66,839
<b>Cash</b>	999
	<b>328,710</b>

### Less what we owe

<b>Creditors</b> – for supplies of beers, wines, spirits, VAT, tax, services and equipment	23,383
<b>Loans</b> – money borrowed to run the business	102,163
<b>Provisions for liabilities and charges</b>	4,295
<b>Retirement benefit asset</b>	(669)
	<b>129,172</b>
<b>Net assets</b>	<b>199,538</b>

The directors present their annual report and the audited financial statements for the financial year ended 31 March 2007.

### Profits and dividends

The profit for the financial year attributable to ordinary shareholders amounted to £45.4 million. An interim dividend of 18.00p per ordinary share was paid on 8 December 2006. The directors recommend a final dividend of 19.35p per ordinary share. Subject to approval at the AGM, the final dividend is expected to be paid on 12 July 2007 to shareholders on the register at the close of business on 15 June 2007.

### Principal activities

Throughout the year, the company's principal activities comprised the management and operation of, and the selling of food and drink through, its pub estate. Up until September 2006, it also sold drink through other trade channels and brewed and bottled beers; these activities were then transferred to Wells & Young's Brewing Company Ltd, a joint venture company resulting from the merger of the company's brewing, beer brands and wholesale operations with those of Charles Wells Ltd. As part of that merger, the company transferred its interest in Cockburn & Campbell Limited, the wines and spirits subsidiary undertaking that acted as agent for the company. Bill Bentley's (Bishopsgate) Limited (which is included in the consolidated financial statements and was the company's only subsidiary undertaking at the year end) was dormant throughout the year and did not carry on any activities.

### Review of business and indication of likely future developments

These are in the chairman's statement on pages 2 and 5 and in the chief executive's report on pages 7 to 11, both of which form part of this report. The chief executive's report also includes key performance indicators demonstrating the performance of different components of the business. Bill Bentley's (Bishopsgate) Limited is expected to remain dormant and not carry on any activities.

### Important post balance sheet events

These are referred to in the chief executive's report on pages 7 to 11 which forms part of this report.

### Directors

#### Names and brief biographical details

The names and brief biographical details of the current directors are on page 12. Christopher Sandland retired as an executive director on 13 April 2006 and rejoined the board as a non-executive director on 5 July 2006; he became non-executive chairman on 4 October 2006. Nicholas Bryan joined the board as a non-executive director on 18 July 2006. John Young, the executive chairman,

passed away while in office on 17 September 2006. Brian Palmer, a non-executive director, and James Young, the deputy chairman, retired on 21 March 2007 and 31 March 2007 respectively. No other person served as a director during the year.

#### Length of appointments

Each of the executive directors has been appointed for an indefinite period. Until 31 March 2009, his contract can be terminated by the company or him giving not less than 18 months' notice. After then, apart from Stephen Goodyear who has to give not less than six months' notice, his contract can be terminated by the company or him giving not less than one year's notice. No compensation is payable by the company for early termination. Each of the non-executive directors is part way through a three-year term; Christopher Sandland's expires on 4 July 2009, Roy Summers' on 20 July 2007 and Nicholas Bryan's on 17 July 2009.

#### Re-election

Apart from Roy Summers who has agreed to be subject to an annual vote, each director's continuation in office is subject to shareholder approval every three years. At this year's AGM, each of Stephen Goodyear, Patrick Dardis, Roy Summers and Nicholas Bryan is offering himself for re-election.

#### Remuneration

Details of each director's remuneration appear in note 4(c) on page 30. No director is involved in deciding his own remuneration. The remuneration of the executive directors is determined by the company's remuneration committee; the remuneration of the non-executive directors is determined by the executive board. None of the executive directors receives remuneration as a non-executive director elsewhere.

#### Indemnity provisions

The company's articles of association contain a qualifying third party indemnity provision for the benefit of the company's directors – this was in force throughout the year.

#### Statement of responsibilities

The directors are responsible for preparing an annual report and financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to select suitable accounting policies

and then apply them consistently, make judgements and estimates that are reasonable and prudent, state whether applicable UK Accounting Standards have been followed (subject to any material departures disclosed and explained in the financial statements) and prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that in their opinion the accounting policies selected by them are suitable and have been applied consistently and that reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the financial year ended 31 March 2007. The directors also confirm that applicable accounting standards have been followed. The directors formed a judgement at the time of approving the audited financial statements for the financial year ended 31 March 2007 that there is a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Therefore, the directors considered it appropriate to adopt the going concern basis in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the group and the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### Corporate governance

The board is committed to good corporate governance in the management and operation of its business.

#### The board

The business and management of the company is the collective responsibility of the board. At each meeting, the board considers and reviews the company's financial and trading performance. It has a formal written schedule of matters reserved for its review and approval; this includes matters such as strategy, long-term objectives and major financial and key operational issues.

The board meets every two months with additional meetings arranged as required. During the year, it met formally on seven occasions and once on a quorate basis. Other than when James Young was unable to attend the September and March meetings, there were no absences from any of the formal meetings.

Formal agendas and reports are provided to the board on a timely basis, along with other information to enable it to

discharge its duties. All directors also have access to independent professional advice at the company's expense and to the advice and services of the company secretary.

There is a clear division of responsibility between the chairman (who is responsible for the effective running of the board) and the chief executive (who has overall responsibility for the running of the business).

#### Performance reviews and independence

The performance of the directors is evaluated informally with the chairman and executive directors in regular contact and frequent meetings of individual and groups of executive directors with the non-executives.

The board regards all three of its non-executive directors as independent; the board views independence as an attitude of mind and a matter of strength of character.

#### Committees

The board has four standing committees: executive, audit, remuneration and disclosure. The board no longer operates through a nomination committee – see below.

##### • Executive committee

This comprises the company's executive directors and is chaired by Stephen Goodyear, the chief executive. It usually meets on a weekly basis and is responsible for the daily running of the company and the execution of approved policies and the business plan. Members of the company's senior management are invited to attend as appropriate.

##### • Audit committee

This comprises Roy Summers, who chairs it, and Nicholas Bryan who joined it on 15 November 2006. Brian Palmer was a member until he retired on 21 March 2007. The committee assists the board in fulfilling its oversight responsibilities; its primary functions are to monitor the integrity of the company's financial statements and other information to shareholders, to monitor the integrity of the company's systems of internal control (including risk management), to oversee the company's relationship with its external auditors and to review the effectiveness of the audit process. The committee's terms of reference can be found at [www.youngs.co.uk](http://www.youngs.co.uk); they set out its other responsibilities. The committee met formally three times during the year and there were no absences.

##### • Remuneration committee

This comprises Roy Summers, who chairs it, and Nicholas Bryan who joined it on 15 November 2006. Brian Palmer was a member until he retired on 21 March 2007. The committee's primary function is to determine, on behalf of the board, the remuneration packages of the company's

executive directors and the company secretary. The committee's terms of reference can be found at [www.youngs.co.uk](http://www.youngs.co.uk); they set out its other responsibilities. The committee met formally four times during the year and there were no absences. Some decisions were made by the committee outside of formal meetings.

- **Disclosure committee**

This comprises the company's executive directors and is chaired by Peter Whitehead, the company's finance director. It assists the company in making timely and accurate disclosure of information required to be disclosed in order to meet legal and regulatory obligations. The committee's terms of reference can be found at [www.youngs.co.uk](http://www.youngs.co.uk); they set out its other responsibilities.

- **Nomination committee**

In practice, the chairman and chief executive tend to lead on the board nomination and appointment process. They consider the balance of skills, knowledge and experience on the board and make appropriate recommendations for consideration by the board. This formal but unwritten process was used effectively throughout the year and led the board to conclude that it should continue to operate in this way rather than through a more formal nomination committee.

### Internal control

The board has overall responsibility for the company's system of internal control and for reviewing its effectiveness. The executive directors implement and maintain the risk management and internal control systems. The audit committee assists the board in fulfilling its oversight responsibilities here by monitoring the system's integrity. The system of control has been designed to manage risk; it cannot eliminate it and therefore only provides reasonable, not absolute, assurance against material misstatement or loss. Throughout the year, the scope and effectiveness of business risks and internal controls were reviewed.

### Relations with shareholders and investors

Copies of the annual report and accounts and interim report are sent to all shareholders and copies are available at [www.youngs.co.uk](http://www.youngs.co.uk). The company's website also provides other information to shareholders and interested parties. Written or e-mailed enquiries are handled by the company secretary during the year.

Shareholders are given the opportunity to ask questions and raise issues at the AGM. This can be done formally during the meeting or informally with the directors before or after it. The chief executive and finance director meet with institutional investors and analysts after the announcement of the interim and year-end results. Additional meetings with institutional investors and/or analysts are arranged from time to time.

### Employees

Within the limitation of commercial confidentiality and security, the company continued to provide its employees with information concerning trading, development and other appropriate matters. It also consulted regularly with them and their representatives, thereby enabling the board to have regard to their interests in general; in connection with this, the company continued to operate an information and consultation committee, with its members being drawn from departments based in Wandsworth. Separate arrangements were operated for those employees in the company's retail divisions. In addition, the company operated an integrated appraisal and development process designed to improve communications and company performance, involving the setting of individual objectives linked directly with the company's business objectives. The company also operated a profit-sharing scheme for its eligible employees through the Ram Brewery Trust.

The company maintained its policy of giving full and fair consideration to all applications for employment, including those of disabled people, taking account of the applicant's particular aptitude and ability. It was also the company's policy to seek to continue to employ anyone who has become disabled while employed by the company and arrange training in a role appropriate to the person's changed circumstances. All employees, including disabled employees, were given equal opportunities for training, career development and promotion.

### Environment

Brewing activities during the year involved the use of natural products such as malted barley, hops, yeast and water. Certain surplus products, including energy, spent grains and yeast, were recycled as far as practicable; others were disposed of through reputable disposal companies. A large volume of water was used in the brewing process; this was constantly reviewed to minimise consumption. Other recycling initiatives were operated at the brewery – these covered glass, flat and palletised industrial cardboard, metal, beer labels, paper waste, plastic bottles and used print cartridges. Energy consumption was minimised through setting and continually measuring and monitoring strict targets. The company complied with the climate change levy as part of the brewing sector agreement with the British Beer & Pub Association.

### Principal risks and uncertainties

The known ones facing the company are:

#### Consumers: expenditure and choice

The company's turnover is largely dependant on consumer spending which can be affected in numerous ways.

Examples include the general economic environment, terrorist activity and food contamination scares. Attitudes to various social factors such as underage drinking are relevant too as is consumers' heightened awareness of a healthy lifestyle and eating habits and the adverse health consequences associated with misuse of alcohol. Consumers also have a wide range of choice of where to spend their money, whether this be at the company's pubs and restaurants, at those of its competitors or at off-licences, supermarkets and takeaways. Focussing on the individuality of each of the company's outlets and being located throughout London and Southern England helps mitigate this risk to a degree; the company has sought to minimise this risk further with its customer focussed designs, high service standards and quality food and market leading drinks.

Spending in the company's pubs and restaurants can also be affected by the weather. Traditionally, they tend to be busier in the summer and on warm, sunny days, especially those with outside areas. Holiday periods such as Christmas, New Year and bank holidays also tend to be better for trade. Recognising this, the company has sought to exploit its excellent locations and offerings to address the impact of seasonality, wherever possible, by capturing demand in busy periods and encouraging customers to visit in quieter periods.

#### Suppliers: drinks and utilities

The company has an exclusive three-year rolling agreement with Wells & Young's for the supply of drinks to its pub estate. Generally, this cannot be terminated until October 2011. Pricing under this agreement is believed to be in line with market rates.

The company uses a large amount of electricity and gas and is therefore particularly subject to fluctuations in their cost. It has made forward purchases of electricity through to October. With gas pricing being at its current low levels, no forward purchases have been made but the company's needs and price-changes in the market are reviewed regularly. Ways of promoting further efficiencies in energy consumption are continually being looked at.

#### Regulation

Changes in regulation can have a significant impact upon the company's business. The smoking ban is just one example and the steps taken by the company to address this are referred to in the chief executive's report on page 8. Another is increases in the minimum wage and another is the proposed move to plastic glasses. The company has sought to mitigate these through continual consideration of operating procedures to ensure any cost increases arising

from such changes can be mitigated through increases in productivity. As a member of the British Beer & Pub Association, it has also sought to ensure that the impact of any new legislation is considered well in advance of its introduction and that plans are put in place to address any required changes in advance of any implementation date.

So far as licensing is concerned, with the changes introduced in 2005, local residents, the police and other relevant agencies now have a right to ask the local authority for any premises licence to be reviewed at any time where they believe that any of the Government's licensing objectives are being compromised. As a result of such review, the local authority has the power to attach further conditions to the licence, reduce trading hours, call for a change in the pub management or ultimately suspend or revoke the licence. Penalties for non-observance of certain aspects of the licensing laws can also be severe, including the possibility of a licence being suspended. Training programmes have been introduced; these have been designed to achieve compliance with the licensing laws and have the company's pubs and restaurants run in a responsible manner, thereby minimising some of these risks.

A number of tax-related matters affect the company. These include business taxes, duty on alcoholic beverages and property rates. As a member of the British Beer & Pub Association, the company seeks to ensure that appropriate action is taken to minimise tax-related risks.

The company participates in three defined benefit pension schemes which give rise to various funding risks. The main risk is the variability of the amount of contributions required to be paid to the schemes in order to account for past service benefit deficits and future service benefit accruals. These in turn are impacted at any point in time by changes in life expectancy assumptions, the performance of the stock market and bond yields. The company maintains a close dialogue with the various schemes' trustees. As a result of previous funding deficits, the company has where necessary made additional contributions over and above the regular service contributions.

### Donations

The company gave money for the following charitable purposes, not all of which were necessarily exclusively charitable: education (£1,850), health (£50), social and community (£3,589). The total value of goods and services provided for such purposes amounted to £18,835. The company made no political donations.

**Major holdings of voting rights**

As at 19 April 2007, the company had been notified of the following holdings of 3% or more of the voting rights of the company (as shareholder and as the direct or indirect holder of financial instruments) pursuant to transitional provision 7 of the DTR Sourcebook or the Disclosure and Transparency Rules:

James Young	17.74%	Torquil Sligo-Young	13.82%
Thomas Young	15.84%	Guinness Peat Group plc	10.23%
Ram Brewery Trustees Limited	14.99%	El Oro and Exploration Company plc	3.026%

**Directors' holdings and interests**

The interests of the directors and their immediate families in the ordinary share capital of the company as at 31 March 2007 (and 1 April 2006) are shown in the following table. Interests in options granted under the company's approved and unapproved executive share option schemes are shown separately on page 21 and each of the director's accrued entitlement to A ordinary shares under the company's profit-sharing scheme is shown separately in note 4(e) on page 32.

			A ordinary shares	Non-voting ordinary shares
Christopher Sandland <sup>a,c</sup>	Beneficial & family	2007	25,684	-
		2006	1,000	-
James Young <sup>a,c</sup>	Beneficial & family	2007	151,576	22,301
		2006	151,289	22,301
	Trustee <sup>b</sup>	2007	970,595	24,098
		2006	853,507	11,512
Stephen Goodyear <sup>a,c</sup>	Beneficial & family	2007	287	-
		2006	-	-
	Trustee	2007	1,000	-
		2006	1,000	-
Torquil Sligo-Young <sup>a,c</sup>	Beneficial & family <sup>e</sup>	2007	51,744	3,500
		2006	66,352	3,500
	Trustee <sup>b,c,d</sup>	2007	935,593	27,859
		2006	251,610	16,347
Peter Whitehead <sup>a,c</sup>	Beneficial & family	2007	287	-
		2006	-	-
	Trustee	2007	1,000	-
		2006	1,000	-
Patrick Dardis <sup>a,c</sup>	Beneficial & family	2007	287	-
		2006	-	-
	Trustee	2007	1,000	-
		2006	1,000	-
Roy Summers	Beneficial & family	2007	8,000	-
		2006	8,000	-
	Trustee	2007	1,000	-
		2006	1,000	-

Notes:

- a At 31 March 2007 each of the directors (other than Roy Summers and Nicholas Bryan) had an interest in 1,199,558 (2006: 1,785,998) A ordinary shares held in trust by Ram Brewery Trustees Limited. These numbers include shares held for the purposes of the Ram Brewery Trust Pension Account.
- b At 31 March 2007 James Young and Torquil Sligo-Young had an interest in 804,183 (2006: 804,183) A ordinary shares and 11,512 (2006: 11,512) non-voting ordinary shares held in trust by them and Thomas Young. Torquil Sligo-Young's interest arose on 1 December 2006.
- c At 31 March 2007 each of the directors (other than Roy Summers and Nicholas Bryan) had an interest in 71,700 (2006: 141,400) A ordinary shares held in trust by Torquil Sligo-Young, Thomas Young and another trustee for the purposes of the company's staff pension scheme as they were beneficiaries under that trust as members of that scheme.
- d At 31 March 2007 Torquil Sligo-Young had an interest in 34,400 (2006: 84,900) A ordinary shares held in trust by him, Thomas Young and another trustee.
- e The A ordinary shares held by each of Peter Whitehead and Patrick Dardis as trustee are included within these figures.

**Share options**

A summary, as at 31 March 2007, of the directors' interests in options granted under the company's approved and unapproved executive share option schemes is shown below. No options were granted during the year.

	Number of options over A ordinary shares			Exercise price (pence)	Exercise	
	At 1 April 2006	Exercised(E)/lapsed(L) during the year	At 31 March 2007		From	To
Christopher Sandland	50,702	50,702 (E)	-	587.5	17.9.01	16.9.08
	12,410	-	12,410	1137.5	6.7.07	5.7.14
James Young	49,592	-	49,592	587.5	17.9.01	16.9.08
	10,630	-	10,630	1137.5	6.7.07	5.7.14
Stephen Goodyear	49,174	9,174 (E)	40,000	587.5	17.9.01	16.9.08
	16,260	-	16,260	1137.5	6.7.07	5.7.14
Torquil Sligo-Young	37,105	7,105 (E)	30,000	587.5	17.9.01	16.9.08
	14,040	-	14,040	1137.5	6.7.07	5.7.14
Peter Whitehead	49,018	24,018 (E)	25,000	587.5	17.9.01	16.9.08
	12,380	-	12,380	1137.5	6.7.07	5.7.14
Patrick Dardis	53,910	21,565 (L)	32,345	822.5	17.7.06	16.7.13
	5,490	-	5,490	1137.5	6.7.07	5.7.14
<b>Total</b>	<b>360,711</b>	<b>112,564</b>	<b>248,147</b>			

Notes:

- (a) Following the grant of probate relating to the estate of John Allen Young, Deceased, James Young, as one of the executors of the estate, became interested in the following options over A ordinary shares that had been granted to John Young – 68,618 options with an exercise price of 587.5p each and 12,750 options with an exercise price of 1137.5p each. These options have to be exercised on or before 16 September 2007 or they lapse. These options are in addition to those referred to in the table for James Young.
- (b) Options are granted to executive directors at the discretion of the remuneration committee; no payment is required to be made for their grant. They are normally only exercisable if and to the extent that performance conditions are satisfied over a period of three years after the date of grant. The performance conditions require that, for the option to be exercisable in full, adjusted earnings per share ('EPS') growth must exceed inflation by 9% per annum compound or more over the three-year performance period. No part of the option grant will normally be exercisable if EPS growth fails to equal or exceed 3% per annum compound above inflation over the performance period. The proportion of the grant exercisable by the executive will increase on a sliding scale between 20% and 100% if EPS growth exceeds inflation by between 3% and 9% per annum compound over the performance period.
- (c) The gains made on the exercise of options appear in note 4(c) on page 30.
- (d) The closing mid market price of A ordinary shares at 30 March 2007 was 3098p and the range during the financial year was 2048p to 3438p.

**Market value of land and buildings**

The directors are of the opinion that the market value of the company's properties is significantly in excess of the book value. Based largely on the pub estate revaluation carried out by Fleurets Chartered Surveyors in the last quarter of 2006, the difference is in the region of £173.8 million.

**Financial instruments**

The policy on the use of financial instruments is set out in note 16 on page 38.

**Payment of suppliers**

The company's policy is to pay suppliers promptly at the end of the month following the month in which invoices are received, provided all trading terms and conditions have been complied with. As at 31 March 2007, the aggregate amount owing to trade creditors (see note 15 on page 37) was equivalent to 33 days' average purchases from suppliers (2006: 36 days).

### Audit statement

Each of the persons who was a director at the time when this report was approved confirms that, so far as he is aware, there is no relevant audit information (i.e. information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware and that he has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of it.

### Annual general meeting

The AGM will be held at 11.30 a.m. on Tuesday, 10 July 2007 in the Civic Suite of Wandsworth Town Hall, Wandsworth High Street, Wandsworth, London SW18 2PU. The notice of the AGM and an explanation of the items of non-routine business are set out in the explanatory circular that accompanies this annual report.

### International Financial Reporting Standards (IFRS)

The group is required to prepare its financial statements under IFRS in the 2008 financial year. Based on an initial review, the main impacts are likely to be:

- Turnover and operating expenses will exclude excise duty;
- Pension actuarial gains or losses can be recognised either as a charge against profits, to the extent that they fell outside a corridor of 10% of the assets or liabilities of the fund, or immediately in the statement that succeeds the current statement of total recognised gains and losses;
- Deferred tax provisions will be increased to include the potential tax payable on rolled-over capital gains made on previous disposals, and to include potential tax on the revaluation of certain of the company's properties;
- Certain property leases will no longer be classified as fixed assets; in future, lease premiums will be recognised in the same way as other long-term assets and the amortisation of them will be treated as rent rather than depreciation; and
- Any financial derivatives will be included in the balance sheet at their fair value.

In addition to the above, there will be considerable changes in the presentation and format of the financial statements.

### Auditors

Ernst & Young LLP have expressed their willingness to continue in office and a resolution proposing their re-appointment as auditors of the company will therefore be put to shareholders at the AGM.

### Preparation and disclaimer

The company's annual report (including the financial statements in it for the year ended 31 March 2007) have been drawn up and presented for the purpose of complying with English law. Any liability arising out of or in connection with them will also be determined in accordance with English law.

### By order of the board

#### Anthony Schroeder

Company secretary  
30 May 2007

We have audited the group and parent financial statements (the "financial statements") of Young & Co.'s Brewery, P.L.C. for the year ended 31 March 2007 which comprise the Consolidated Profit and Loss Account, the Group and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated Reconciliation of Movements in Shareholders' Funds, the Consolidated Note of Historical Cost Profits and Losses and the related notes 1 to 26. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities on pages 16 and 17.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. The information given in the Directors' Report includes the Chairman's Statement and Chief Executive's Report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Financial Highlights, the Chairman's Statement, the Chief Executive's Report, the Board of Directors, the Simplified Accounts, the Directors' Report, the Five Year Review, the Senior Personnel, Committees and Advisers and the Shareholder Information. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 March 2007 and of the group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

### Ernst & Young LLP

Registered Auditor  
London, England  
30 May 2007

## Consolidated profit and loss account

For the 52 weeks ended 31 March 2007

	Notes	2007 £000	Restated 2006 £000
<b>Turnover</b>	2	<b>126,636</b>	123,873
Net operating costs before exceptional items	3	<b>(111,262)</b>	(110,381)
<b>Operating profit before exceptional items</b>		<b>15,374</b>	13,492
Operating exceptional items	5(a)	<b>(709)</b>	(2,098)
<b>Operating profit</b>		<b>14,665</b>	11,394
Share of operating profit of associated undertaking		<b>336</b>	–
Non-operating exceptional items	5(b)		
Costs of fundamental reorganisation		<b>(9,016)</b>	(476)
Profit/(loss) on sale of fixed assets		<b>46,164</b>	(70)
<b>Profit on ordinary activities before interest</b>		<b>52,149</b>	10,848
Net interest charge	6	<b>(5,418)</b>	(3,873)
Net interest charge – group		<b>(5,165)</b>	(3,873)
Net interest charge – associated undertaking		<b>(253)</b>	–
Discount of site proceeds	25(b)	<b>(2,161)</b>	–
Other finance income	18	<b>1,731</b>	527
<b>Profit on ordinary activities before tax</b>		<b>46,301</b>	7,502
Tax on profit on ordinary activities	7	<b>(890)</b>	(2,958)
<b>Profit attributable to ordinary shareholders</b>		<b>45,411</b>	4,544
Ordinary dividends on equity shares	8	<b>(3,589)</b>	(2,808)
<b>Retained profit for the financial period</b>	20	<b>41,822</b>	1,736
		<b>Pence</b>	Pence
<b>Basic earnings per 50p ordinary share</b>	9	<b>391.29</b>	39.39
<b>Diluted basic earnings per 50p ordinary share</b>	9	<b>383.26</b>	38.43
<b>Adjusted earnings per 50p ordinary share</b>	9	<b>75.36</b>	58.72

The comparative figures have been restated for the effects of the adoption of FRS 20 Share-based payment. The effect of this change is detailed in note 24.

The comparative figures included as site review and transaction costs in operating exceptional items in the prior year have been reclassified as costs of fundamental reorganisation in non-operating exceptional items.

Under s230(3) Companies Act 1985, the company may choose not to include a separate profit and loss account for itself, and the directors have decided to make use of this provision.

The results above are all in respect of continuing operations of the group.  
The notes on pages 28 to 47 form part of these financial statements.  
The independent auditors' report is set out on page 23.

## Balance sheets

At 31 March 2007

	Notes	Group Restated 2007 £000	2006 £000	Company Restated 2007 £000	2006 £000
<b>Fixed assets</b>					
Tangible fixed assets	10	<b>232,286</b>	217,526	<b>232,286</b>	217,526
Investments	12(a)	–	–	<b>20</b>	42
Investment in associated undertaking	12(b)	<b>22,458</b>	–	<b>11,303</b>	–
		<b>254,744</b>	217,526	<b>243,609</b>	217,568
<b>Current assets and liabilities</b>					
Stocks	13	<b>1,431</b>	4,193	<b>1,477</b>	4,193
Debtors	14	<b>71,536</b>	6,839	<b>71,536</b>	6,839
Cash		<b>999</b>	–	<b>999</b>	–
		<b>73,966</b>	11,032	<b>74,012</b>	11,032
Short term borrowings		<b>(58,184)</b>	(283)	<b>(58,184)</b>	(283)
Other creditors		<b>(23,383)</b>	(19,219)	<b>(23,403)</b>	(19,261)
Creditors: amounts falling due within one year	15	<b>(81,567)</b>	(19,502)	<b>(81,587)</b>	(19,544)
Net current liabilities		<b>(7,601)</b>	(8,470)	<b>(7,575)</b>	(8,512)
<b>Total assets less current liabilities</b>		<b>247,143</b>	209,056	<b>236,034</b>	209,056
<b>Creditors: amounts falling due after more than one year</b>	16	<b>(43,979)</b>	(54,140)	<b>(43,979)</b>	(54,140)
<b>Provisions for liabilities and charges</b>	17	<b>(4,295)</b>	(8,122)	<b>(4,295)</b>	(8,122)
<b>Net assets excluding retirement benefit asset/(liability)</b>		<b>198,869</b>	146,794	<b>187,760</b>	146,794
Retirement benefit asset/(liability)	18	<b>669</b>	(4,129)	<b>669</b>	(4,129)
<b>Net assets</b>		<b>199,538</b>	142,665	<b>188,429</b>	142,665
<b>Capital and reserves</b>					
Called-up share capital	19	<b>6,028</b>	6,028	<b>6,028</b>	6,028
Share premium account	20	<b>1,274</b>	1,296	<b>1,274</b>	1,296
Revaluation reserve	20	<b>77,574</b>	87,139	<b>77,574</b>	87,139
Capital redemption reserve	20	<b>1,808</b>	1,808	<b>1,808</b>	1,808
Investment in own shares	20	<b>(2,123)</b>	(2,861)	<b>(2,123)</b>	(2,861)
Share-based payments reserve	20	<b>197</b>	107	<b>197</b>	107
Profit and loss account	20	<b>114,780</b>	49,148	<b>103,671</b>	49,148
<b>Equity shareholders' funds</b>		<b>199,538</b>	142,665	<b>188,429</b>	142,665

The comparative figures have been restated for the effects of the adoption of FRS 20 Share-based payment. The effect of this change is detailed in note 24.

Approved by the board of directors and signed on its behalf by:

**Christopher Sandland** Chairman  
**Peter Whitehead** Finance director  
30 May 2007

The notes on pages 28 to 47 form part of these financial statements.  
The independent auditors' report is set out on page 23.

## Consolidated cash flow statement

For the 52 weeks ended 31 March 2007

	2007 £000	Restated 2006 £000
<b>Net cash inflow from operating activities</b> (note 21)	<b>28,356</b>	22,245
Interest received	3	8
Interest paid	(5,622)	(4,021)
<b>Returns on investments and servicing of finance</b>	<b>(5,619)</b>	(4,013)
<b>Corporation tax paid</b>	<b>(2,706)</b>	(3,088)
Purchase of tangible fixed assets	(46,755)	(13,451)
Sales of tangible fixed assets	468	123
Cost of fundamental reorganisation	(6,896)	(476)
<b>Capital expenditure and financial investment</b>	<b>(53,183)</b>	(13,804)
Investment in associated undertaking	(10,000)	–
<b>Acquisitions and disposals</b>	<b>(10,000)</b>	–
<b>Equity dividends paid</b>	<b>(3,589)</b>	(2,808)
<b>Cash outflow before financing</b>	<b>(46,741)</b>	(1,468)
Increase in loan capital	47,851	362
Decrease in lease finance	(17)	(16)
<b>Financing</b>	<b>47,834</b>	346
<b>Increase/(decrease) in cash in period</b>	<b>1,093</b>	(1,122)

The comparative figures included as site review and transaction costs in operating exceptional items in the prior year have been reclassified as costs of fundamental reorganisation in non-operating exceptional items.

## Consolidated reconciliation of net cash flow to movement in net debt

For the 52 weeks ended 31 March 2007

	2007 £000	2006 £000
<b>Increase/(decrease) in cash in period</b>	<b>1,093</b>	(1,122)
Increase in debt in period	(47,834)	(346)
Increase in net debt in period	(46,741)	(1,468)
Opening net debt	(54,423)	(52,955)
<b>Closing net debt</b>	<b>(101,164)</b>	(54,423)

## Consolidated analysis of net debt

At 31 March 2007

	2007 £000	Cash flow £000	2006 £000
Cash	999	999	–
Bank overdraft	–	94	(94)
Loan capital and finance leases	(102,163)	(47,834)	(54,329)
<b>Net debt</b>	<b>(101,164)</b>	<b>(46,741)</b>	(54,423)

The notes on pages 28 to 47 form part of these financial statements.  
The independent auditors' report is set out on page 23.

## Consolidated statement of total recognised gains and losses

For the 52 weeks ended 31 March 2007

	2007 £000	Restated 2006 £000
<b>Profit for the financial period</b>	<b>45,411</b>	4,544
Actuarial gain on retirement benefit schemes (note 18)	3,539	5,750
Deferred tax on actuarial gain	(1,062)	(1,725)
Gain on exchange of assets for interest in associated undertaking	11,205	–
Total recognised gains for the financial period	59,093	8,569
Prior year adjustment (note 24)	(107)	–
<b>Total gains recognised since last annual report</b>	<b>58,986</b>	8,569

## Consolidated reconciliation of movements in shareholders' funds

For the 52 weeks ended 31 March 2007

	2007 £000	Restated 2006 £000
<b>Profit attributable to ordinary shareholders</b>	<b>45,411</b>	4,544
Dividends	(3,589)	(2,808)
Movement in own shares: Employee benefit trust allocations	1,279	406
Share-based payment	90	107
Actuarial gain on retirement benefit schemes, net of deferred tax	2,477	4,025
Gain on exchange of assets for interest in associated undertaking	11,205	–
Net addition to shareholders' funds	56,873	6,274
Opening shareholders' funds (note 24)	142,665	136,391
<b>Closing shareholders' funds</b>	<b>199,538</b>	142,665

## Consolidated note of historical cost profits and losses

For the 52 weeks ended 31 March 2007

	2007 £000	Restated 2006 £000
<b>Profit on ordinary activities before tax</b>	<b>46,301</b>	7,502
Amount realised on property revaluation gains	9,565	–
Difference between historical cost depreciation and the actual depreciation charge for the period calculated on the revalued amount	298	298
<b>Historical cost profit on ordinary activities before tax</b>	<b>56,164</b>	7,800
<b>Historical cost profit for the period retained after tax and dividends</b>	<b>51,685</b>	2,034

The comparative figures have been restated for the effects of the adoption of FRS 20 Share-based payment. The effect of this change is detailed in note 24.

# Notes to the financial statements

For the 52 weeks ended 31 March 2007

## 1. Accounting policies

### Change in accounting policies

This year the group has prepared consolidated financial statements in order to account for the associated undertaking under the equity method of accounting. The group has also adopted FRS 20 Share-based payment (policy (k) below). The effects of the changes in accounting policies, including the prior year adjustment, are set out in note 24.

### (a) Basis of accounting

The financial statements have been prepared using the historical cost convention, modified to include the revaluation of freehold and leasehold properties, and in accordance with applicable accounting standards.

### (b) Consolidation

The financial statements include the financial information of the subsidiary and associated undertakings of Young & Co.'s Brewery, P.L.C. The associated undertaking, Wells & Young's Brewing Company Limited, referred to in the notes to the financial statements as "Wells & Young's", has a statutory accounting reference date of 30 September 2006. In respect of the year ended 31 March 2007, this associated undertaking has been included based on unaudited management accounts drawn up for the period ended 31 March 2007.

### (c) Tangible fixed assets and depreciation

The value of fixed assets is their purchase cost, together with any incidental acquisition costs, or their 1997 valuation where appropriate.

The freehold and leasehold properties were revalued in 1997. The basis of the valuation is included in note 10. As permitted by FRS 15 the valuation has not been revised subsequently.

Depreciation is provided on a straight line basis over the expected useful economic lives shown below:

	Years
The brewery, offices and wines and spirits store	50
Freehold and long leasehold property	50
Plant and machinery	3 – 40
Motor vehicles	5 – 10
Fixtures, containers and sundry equipment	5 – 20

Depreciation is provided on the buildings content of freehold public houses, private houses and long leases so as to write them down to their residual value over 50 years. Short leases are written off over the term of the lease.

A provision is made in the profit and loss account where the directors consider that an impairment has been identified in accordance with FRS 11.

Fully depreciated assets are treated as disposals in the period following completion of their write-down.

### (d) Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date, with the following exceptions:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.
- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

### (e) Stocks

Stocks are valued at the lower of cost and net realisable value and, where appropriate, include excise duty and production overheads.

### (f) Debenture issue premiums and costs

Debenture premiums are allocated to accounting periods over the term of the debt at a constant rate on the carrying amount. Debenture issue costs, which have been set against the proceeds of the debenture, are amortised over its life. A corresponding transfer is made from the profit and loss account to the share premium account in each financial period.

### (g) Operating leases

Rentals receivable and payable under operating leases are accounted for in the profit and loss account in the period incurred.

### (h) Retirement benefit liabilities

The group accounts for pension schemes in accordance with FRS 17 Retirement benefits.

For the defined contribution scheme, contributions are charged to the profit and loss account as payable in respect of the accounting period.

For the defined benefit schemes, any increase in the present value of the liabilities expected to arise from employee service in the period is charged against operating profit and included as part of staff costs. The interest cost and the expected return on assets are shown as a net amount as other finance costs or credits adjacent to interest. Actuarial gains and losses net of deferred tax are recognised immediately in the statement of total recognised gains and losses.

Pension scheme assets are measured using market values and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. Actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred taxation, is presented separately after other net assets on the face of the balance sheet.

### (i) Dividends

In accordance with FRS 21, dividends are recognised when declared, not when proposed.

### (j) Accounting for ESOP Trusts

In accordance with UITF 38 Accounting for ESOP Trusts, investments in own shares which comprise the unallocated shares of the Ram Brewery Trust are treated as a deduction in arriving at shareholders' funds. Allocations of shares to employees under the profit sharing scheme and exercise of share options are treated as disposals.

The capital gains tax liability that may arise on the allocated shares in the Ram Brewery Trust when they are transferred to employees on retirement is recognised as a provision in the financial statements. This capital gains tax liability is calculated at a rate of 40% of the estimated net capital gain. The estimated net capital gain is calculated at the year end market price less weighted average share cost, less the applicable taper relief for the disposal of shares.

### (k) Share-based payment

The group operates an equity-settled, share-based compensation plan. This comprises share options with non-market performance conditions attached. An expense is recognised to spread the fair value of the share options granted after 7 November 2002 over the vesting period on a straight-line basis. A corresponding adjustment is made to the share-based payment reserve in equity. The charge is based on the fair value of the share options as at the date of grant, as calculated using the Black-Scholes-Merton formula.

### (l) Associated undertaking

An associated undertaking is an entity, other than a subsidiary undertaking, in which the group has a long-term interest and in respect of which the group exercises a significant influence over the operational and financial policies. The results of the associated undertaking have been accounted for using the equity method of accounting.

Under the equity method, the investment in the associated undertaking is carried in the balance sheet at cost plus post-acquisition changes in the group's share of net assets of the associated undertaking, less distributions received and less any impairment in value of individual investments. The consolidated profit and loss account reflects the share of the associated undertaking's results after tax. The consolidated statement of total recognised gains and losses reflects the group's share of any gain or loss recognised by the associated undertaking outside profit and loss.

In accordance with FRS 11, the investment in associated undertaking is subject to a review if circumstances or events change to indicate that the carrying value is impaired.

### (m) Financial assets

Financial assets are recognised when the group has rights or other access to economic benefits. The group is treating the receivable from the disposal of the Wandsworth sites as a financial asset. Financial asset receivables are discounted back to net present value when the amount at the time of the transaction is receivable in more than 12 months. The discount is charged directly to the profit and loss account at transaction date, and is then written back on a reducing balance basis over the life of the receivable. The discount and write-back of discount are included as "Discount of site proceeds" in the profit and loss account.

## 2. Turnover and segmental reporting

Turnover comprises sales inclusive of excise duties and rents, and excludes VAT and property disposals. Taking into account the interest in Wells & Young's, the directors consider the group's business is that of a fully integrated regional brewer and that this is a single class of business conducted materially in the United Kingdom.

## 3. Net operating costs before exceptional items

	2007 £000	Restated 2006 £000
Change in stocks of finished goods and work in progress	(696)	(82)
Raw materials and consumables	33,750	29,333
Excise duty – beer	5,533	10,612
Employment costs (note 4(a))	39,642	38,047
Repairs to licensed properties	2,230	1,779
Depreciation	7,810	8,145
Operating lease rentals: plant and machinery	540	1,394
land and buildings	2,467	2,343
Other operating costs	19,986	18,810
	<b>111,262</b>	<b>110,381</b>
Auditors' remuneration: audit services	97	100
taxation services	134	108
corporate finance services	119	–

£119,000 (2006: £Nil) of the auditor's remuneration fees were included within non-operating exceptional items as a cost of fundamental reorganisation, with the remainder included within other operating costs.



## Notes to the financial statements

(continued)

### 4. Employment

#### (a) Costs

	2007 £000	Restated 2006 £000
Wages and salaries	39,860	31,688
Profit-sharing scheme	948	1,267
Social security	3,327	2,749
Pension and healthcare schemes	2,606	2,236
Share-based payments (note 23)	90	107
Capital gains tax on ESOP allocated shares	509	708
	<b>47,340</b>	38,755
Employment costs included in operating costs	<b>39,642</b>	38,047
Employment costs included in exceptional items	<b>7,698</b>	708
	<b>47,340</b>	38,755

#### (b) Average number of employees

	2007	2006
Full time	1,930	1,721
Part time	351	389
	<b>2,281</b>	2,110

#### (c) Directors' emoluments

	Basic Salary and fees £	Profit sharing £	Benefits £	Other payments £	Bonus £	Total excluding pension costs and gains made on exercise of share options 2007 £	Total excluding pension costs and gains made on exercise of share options 2006 £	Gains made on exercise of share options £
Christopher Sandland	67,643	10,941	533	207,000 <sup>(ii)</sup>	-	286,117	191,085	1,223,186
John Young	77,029	-	13,067	-	-	90,096	210,596	-
James Young	86,564	10,941	21,560	101,350 <sup>(iii)</sup>	-	220,415	151,187	-
Stephen Goodyear	190,373	10,941	22,410	-	84,745	308,469	213,937	221,323
Torquil Sligo-Young	128,914	10,941	15,962	-	-	155,817	146,745	171,408
Peter Whitehead	159,147	10,941	19,159	-	84,746	273,993	187,365	579,434
Patrick Dardis	159,075	10,941	20,837	-	-	190,853	187,439	-
Brian Palmer	25,075	-	694	11,000 <sup>(iv)</sup>	-	36,769	23,839	-
Roy Summers	39,756	-	-	-	-	39,756	36,496	-
Nicholas Bryan	17,849	-	-	-	-	17,849	-	-
<b>Total 2007</b>	<b>951,425</b>	<b>65,646</b>	<b>114,222</b>	<b>319,350</b>	<b>169,491</b>	<b>1,620,134</b>	<b>1,348,689</b>	<b>2,195,351</b>
Total 2006	1,007,631	76,587	138,936	-	125,535	1,348,689	-	-

Notes:

- (i) The "Basic salary and fees" column includes an amount for the services of each of Christopher Sandland, Brian Palmer, Roy Summers and Nicholas Bryan which will not be paid to him unless shareholders agree to this. The relevant amounts are £16,615, £4,544, £16,174 and £3,293 respectively. Further details of this are set out in the accompanying notice of annual general meeting.
- (ii) Following his retirement as an executive director on 13 April 2006, Christopher Sandland has been provided with membership of one of the company's post-retirement medical expenses schemes, on a continuous basis, at the company's cost. The estimated money value of this benefit is £207,000 and has been included in the "Other payments" column.
- (iii) Following his retirement as an executive director on 31 March 2007, James Young has been provided with membership of one of the company's post-retirement medical expenses schemes, on a continuous basis, at the company's cost. He was also given the car that he had previously used. The estimated money value of each of these benefits is £89,000 and £12,350 respectively and has been included in the "Other payments" column.
- (iv) Following his retirement as a non-executive director on 21 March 2007, Brian Palmer has been provided with membership of one of the company's post-retirement medical expenses schemes, on a continuous basis, at the company's cost. The estimated money value of this benefit is £11,000 and has been included in the "Other payments" column.

#### (d) Retirement benefits

The company operates three pension schemes: the staff scheme, the works scheme and the Ram Brewery Trust Pension Fund.

The staff and works schemes are contributory. Contributions are at the rate of 2% or 5% of pensionable earnings. The schemes are defined benefit schemes investing largely in managed funds. As at 31 March 2007, three directors were accruing benefits under the defined benefit schemes in respect of qualifying services.

In addition the company bears the cost of post retirement health care premia for certain employees and ex-employees.

The company accounts for retirement benefits in accordance with FRS 17. Detailed disclosures are set out in note 18.

	1 Increase in accrued pension during the year (excluding inflation) £	2 Transfer value of increase (net of member contributions) £	3 Accumulated total accrued pension as at 31 March 2007 £	4 Transfer value of accrued pension benefits as at 1 April 2006 £	5 Transfer value of accrued pension benefits as at 31 March 2007 £	6 Increase in transfer value during the year (net of member contributions) £
Christopher Sandland	1,697	122	84,047	1,909,178	1,918,901	9,723
James Young	1,863	42,735	84,596	1,885,717	1,940,078	54,361
Stephen Goodyear	3,323	78,523	42,535	982,752	1,074,531	86,348
Torquil Sligo-Young	693	14,379	67,414	1,216,532	1,374,704	158,172
Peter Whitehead	2,694	23,936	29,446	271,311	327,013	50,272
Patrick Dardis	1,764	10,371	7,843	49,365	70,262	15,467

Notes:

- (i) The pension entitlement shown in column 3 is that which would be paid annually on retirement under the terms of each executive director's service agreement based on service to 31 March 2007. Directors appointed before 6 April 1997 are entitled to a pension of two-thirds of final pensionable earnings, payable from age 50 on completion of 25 years' service. This means that, in the above transfer value figures, those directors currently aged over 50 with more than 25 years' service have been assumed to retire immediately. All other retirements of directors appointed prior to 6 April 1997 have been assumed to take place at the earliest age permissible by HM Revenue & Customs.
- (ii) The transfer values (and their increases) in columns 2, 4, 5 and 6 have been calculated in accordance with Actuarial Guidance Note GN11, on an adjusted Minimum Funding Requirement (MFR) basis reflecting appropriate market conditions.
- (iii) The difference between the transfer value increase shown in column 2 and column 6 arises from a change in the date of calculation of transfer values.
- (iv) Christopher Sandland and James Young retired during the year. Christopher Sandland exchanged part of his pension for tax-free cash. The figures in column 3 for these members are based on their post-commutation pensions in payment, whilst the figures in columns 2, 5 and 6 allow for tax-free cash taken.
- (v) Torquil Sligo-Young has opted for Enhanced Protection and as such is not accruing further service. However, he retains the right to opt-back into the schemes at any future time, subject to paying the requisite contributions.

## Notes to the financial statements

(continued)

### (e) Profit-sharing scheme

Members of the scheme are allocated shares of the company on the basis of their entitlement after deductions of income tax and national insurance. The contribution to the scheme is £948,000 (2006: £1,267,000) and has been charged to the profit and loss account. Allocations made up to and including those for the company's financial year that ended in 2005 are held in the Ram Brewery Trust and, on retirement, the member receives his accrued entitlement to shares. If a member leaves the employment of the company before reaching normal retirement age, he ceases to participate further in the scheme; however, he continues to receive the income accruing to him by virtue of his membership of the scheme prior to his leaving the company's employment and the trustee of the Ram Brewery Trust continues to hold his allocation to the date of leaving on his behalf until normal retirement age. Allocations for the company's financial year that ended in 2006 have been, and allocations for the company's financial year that ended in 2007 will be, made via transfers of actual shares to scheme members. Excluding these transfers, the accrued entitlement to A ordinary shares under the company's profit-sharing scheme of each of the directors who served during the year is as follows:

John Young (3,827), Christopher Sandland (15,461), James Young (15,633), Stephen Goodyear (5,670), Torquil Sligo-Young (7,853), Peter Whitehead (5,204) and Patrick Dardis (1,674). None of Brian Palmer, Roy Summers and Nicholas Bryan is a member of the company's profit-sharing scheme.

### 5. Exceptional items

#### (a) Operating exceptional items

	2007	Restated 2006
	£000	£000
Capital gains tax on ESOP allocated shares	(509)	(708)
Property valuation costs	(200)	–
Transfer of company's share listing to AIM	–	(386)
Lease compensation payments to tenants	–	(760)
Other employee related matters	–	(244)
	<b>(709)</b>	<b>(2,098)</b>

#### (b) Non-operating exceptional items

	2007	Restated 2006
	£000	£000
Proceeds from Wandsworth sites	69,000	–
Less: Net book value of sites	(10,849)	–
Assets held on sites	(11,543)	–
Gain on disposal of Wandsworth sites	46,608	–
Loss on sales of properties and investments	(444)	(70)
	<b>46,164</b>	<b>(70)</b>
Cost of fundamental reorganisation	(9,016)	(476)
	<b>37,148</b>	<b>(546)</b>

The tax credit on exceptional items was £2,387,000 (2006: £413,000).

The cost of fundamental reorganisation comprises redundancy costs, decommissioning costs and professional charges relating to the sale of the Wandsworth sites and merger of brewing interests with Charles Wells Ltd.

### 6. Net interest charge

	2007	2006
	£000	£000
Bank loans and overdrafts	3,265	1,505
Debentures	2,366	2,376
Interest receivable and similar income	(466)	(8)
	<b>5,165</b>	<b>3,873</b>
Share of associated undertaking's interest charge	253	–
	<b>5,418</b>	<b>3,873</b>

### 7. Tax

	2007	2006
	£000	£000
Corporation tax for the period at 30% (2006: 30%)	3,586	2,721
Adjustment in respect of prior periods	–	27
Current period tax	3,586	2,748
Share of tax of associated undertaking	(21)	–
Deferred tax on retirement benefit schemes	994	121
Other deferred tax (note 17)	(3,669)	89
	<b>890</b>	<b>2,958</b>

#### Factors affecting current tax charge

	2007	Restated 2006
	£000	£000
Profit on ordinary activities at 30% (2006: 30%)	13,890	2,251
Expenses not deductible for tax purposes	695	486
Permanent differences on capital gains tax on ESOP allocated shares	154	212
Capital allowances in arrears/(excess) of depreciation	2,795	(283)
Short term timing differences	(120)	55
Profit on sales of properties to be rolled over or covered by capital losses	(13,849)	–
Share of tax of associated undertaking	21	–
Tax underprovided in previous years	–	27
Total current tax charge	<b>3,586</b>	<b>2,748</b>

### 8. Ordinary dividends on equity shares

	2007	2006	2007	2006
	Pence	Pence	£000	£000
Final dividend (previous year)	12.90	12.25	1,498	1,414
Interim dividend (current year)	18.00	12.00	2,091	1,394
	<b>30.90</b>	<b>24.25</b>	<b>3,589</b>	<b>2,808</b>

In addition, the directors are proposing a final dividend in respect of the financial year ending 31 March 2007 of 19.35p per share which will cost an estimated £2.3 million. If approved, it is expected to be paid on 12 July 2007 to shareholders who are on the register of members at the close of business on 15 June 2007.

The trustee of the Ram Brewery Trust has waived its rights in respect of the dividends on the shares held in the trust on behalf of the executive share option schemes.

## Notes to the financial statements

(continued)

### 9. Earnings per share

	2007 £000	Restated 2006 £000
Profit attributable to ordinary shareholders	45,411	4,544
Operating exceptional items, after adjusting for tax (note 5(a))	709	2,157
Non-operating exceptional items, after adjusting for tax (note 5(b))	(39,535)	74
Discount of site proceeds	2,161	–
<b>Adjusted earnings after tax</b>	<b>8,746</b>	<b>6,775</b>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares in issue	11,605,450	11,536,993
Add: the notional exercise of the weighted average number of ordinary share options outstanding during the year	243,158	287,861
<b>Diluted weighted average number of ordinary shares in issue</b>	<b>11,848,608</b>	<b>11,824,854</b>
	<b>Pence</b>	<b>Pence</b>
Basic earnings per 50p ordinary share	391.29	39.39
Effect of exceptional items and discount of site proceeds	(315.93)	19.33
<b>Adjusted earnings per 50p ordinary share</b>	<b>75.36</b>	<b>58.72</b>
<b>Diluted basic earnings per 50p ordinary share</b>	<b>383.26</b>	<b>38.43</b>

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

An adjusted earnings per share figure is presented to eliminate the effect of the exceptional items on basic earnings per share.

### 10. Tangible fixed assets

	Group and company					
	Freehold properties £000	Leasehold properties 50 years and more £000	Under 50 years £000	Plant machinery & vehicles £000	Fixtures containers & sundry equipment £000	Total £000
<b>Cost or valuation</b>						
At 2006	167,466	13,589	7,824	28,196	51,672	268,747
Additions	30,366	3,048	90	123	13,128	46,755
Disposals	(13,093)	–	(433)	(25,776)	(9,860)	(49,162)
Fully depreciated assets	–	–	–	–	(3,114)	(3,114)
<b>At 2007</b>	<b>184,739</b>	<b>16,637</b>	<b>7,481</b>	<b>2,543</b>	<b>51,826</b>	<b>263,226</b>
<b>Depreciation and amortisation</b>						
At 2006	3,652	413	4,531	17,535	25,090	51,221
Charge for period	483	138	229	745	6,215	7,810
Disposals	(1,947)	–	(455)	(16,051)	(6,524)	(24,977)
Fully depreciated assets	–	–	–	–	(3,114)	(3,114)
<b>At 2007</b>	<b>2,188</b>	<b>551</b>	<b>4,305</b>	<b>2,229</b>	<b>21,667</b>	<b>30,940</b>
<b>Net book value</b>						
<b>At 2007</b>	<b>182,551</b>	<b>16,086</b>	<b>3,176</b>	<b>314</b>	<b>30,159</b>	<b>232,286</b>
At 2006	163,814	13,176	3,293	10,661	26,582	217,526

### Property valuations

The freehold and leasehold properties were valued as follows:

1. The licensed properties were valued as at 29 March 1997 by Mr I. N. Wilcockson, a retired employee of the group and member of the Association of Valuers of Licensed Property, at open market value for existing use, having regard to trading potential.
2. The unlicensed properties were valued as at 29 March 1997 by Colleys, surveyors and valuers, Southampton, at an open market value for existing use basis.

All valuations were carried out in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual.

#### (a) Fixed assets at historical cost

	2007 £000	2006 £000
Cost	170,614	176,136
Accumulated depreciation	(27,419)	(46,924)
<b>Net book value</b>	<b>143,195</b>	<b>129,212</b>

#### (b) Capital commitments

	2007 £000	2006 £000
Capital commitments not provided for in these financial statements and for which contracts have been placed amounted to:	1,539	2,457

#### (c) Finance leases

Plant machinery and vehicles above include assets held under a finance lease with an original cost of £73,000 (2006: £73,000) and a net book value of £4,000 (2006: £18,000).

### 11. Financial commitments

	Group and company	
	2007 £000	2006 £000
Annual commitments under non-cancellable operating leases are as follows:		
Leases expiring after five or more years:		
Property	1,690	1,754
Leases expiring between one and five years:		
Property	1,235	401
Equipment	132	154
Leases expiring within one year:		
Property	278	152
Equipment	91	68
	<b>3,426</b>	<b>2,529</b>

In addition to the financial commitments included above, Wells & Young's has a financial commitment relating to the purchase of Courage beer brands for an additional £5 million (the group's 40% share of this financial commitment is £2 million). £1 million of the £5 million commitment is contingent upon meeting agreed volume targets, with the remaining £4 million payable in two fixed £2 million instalments due in December 2007 and December 2008.

## Notes to the financial statements

(continued)

### 12. Investments

#### (a) Investment in subsidiary undertakings

	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
<b>Subsidiary undertakings</b>	-	-	20	42

As detailed in note 25(a), on 29 September 2006 the company contributed its beer brands and certain assets to Wells & Young's. The assets contributed to Wells & Young's included the transfer of the company's interest in Cockburn & Campbell Limited, a subsidiary undertaking, which had a carrying value of £22,000.

The company has an investment in 100% of the issued share capital of Bill Bentley's (Bishopsgate) Limited, namely 10,000 "A" ordinary shares of £1 each and 10,000 "B" ordinary shares of £1 each. This investment has a carrying value of £20,000. Bill Bentley's (Bishopsgate) Limited is included in the consolidated financial statements.

#### (b) Investment in associated undertaking

	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Opening balance	-	-	-	-
Additions	22,508	-	11,303	-
Share of loss of associated undertaking	(50)	-	-	-
<b>Closing balance</b>	<b>22,458</b>	-	<b>11,303</b>	-

The addition in the current year is the group's unlisted investment in Wells & Young's (see note 25(a)). Wells & Young's has an issued share capital of £75 million divided into 45 million A shares of £1 each and 30 million B shares of £1 each. The company owns all of the B shares.

In addition to the share of loss of associated undertaking included above, the group has recorded an additional £46,000 (2006: £Nil) expense relating to the unrealised profits included within stock held at year end that had been purchased from Wells & Young's.

Wells & Young's total turnover from 29 September 2006 (date of investment) to 31 March 2007 is £89,544,000 (2006: £Nil).

The group's share of certain balance sheet captions of Wells & Young's is as follows:

	Group	
	2007 £000	2006 £000
Fixed assets	29,779	-
Current assets	17,956	-
	<b>47,735</b>	-
Creditors: amounts falling due within one year	(11,224)	-
Creditors: amounts falling due after more than one year	(14,053)	-
	<b>(25,277)</b>	-
<b>Net assets</b>	<b>22,458</b>	-

### 13. Stocks

	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Raw materials and consumables	-	510	-	510
Work in progress	-	269	-	269
Finished goods and goods for resale	1,431	3,414	1,477	3,414
	<b>1,431</b>	<b>4,193</b>	<b>1,477</b>	<b>4,193</b>

The replacement cost of stocks approximates to the value stated above.

The group has recorded an additional £46,000 (2006: £Nil) expense relating to the unrealised profits included within stock held at year end that had been purchased from Wells & Young's.

### 14. Debtors

	Group and company	
	2007 £000	2006 £000
Amounts falling due within one year:		
Trade debtors	2,167	4,226
Other debtors	1,211	1,581
Receivable from site disposal (discounted)	66,839	-
Prepayments and accrued income	1,319	1,032
	<b>71,536</b>	<b>6,839</b>

### 15. Creditors: amounts falling due within one year

	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
<b>(a) Short term borrowings</b>				
Bank overdraft	-	94	-	94
9.5% debenture stock (note 26)	179	172	179	172
Variable rate unsecured revolving credit facility	58,000	-	58,000	-
Obligations under finance leases	5	17	5	17
	<b>58,184</b>	<b>283</b>	<b>58,184</b>	<b>283</b>
<b>(b) Other creditors</b>				
Trade creditors	6,984	5,875	6,984	5,875
Amounts owed to subsidiary undertakings	-	-	20	42
Corporation tax	2,171	1,289	2,171	1,289
Other tax and social security	3,419	5,802	3,419	5,802
Other creditors	5,989	2,034	5,989	2,034
Accruals and deferred income	4,820	4,219	4,820	4,219
	<b>23,383</b>	<b>19,219</b>	<b>23,403</b>	<b>19,261</b>
<b>Creditors: amounts falling due within one year</b>	<b>81,567</b>	<b>19,502</b>	<b>81,587</b>	<b>19,544</b>

## Notes to the financial statements

(continued)

### 16. Creditors: amounts falling due after more than one year

#### (a) Loan capital and finance leases

	Group and company	
	2007	2006
	£000	£000
9.5% debenture stock (note 26)	29,158	29,307
Bank loan	15,000	15,000
Variable rate unsecured revolving credit facility	58,000	10,000
Obligations under finance leases	5	22
Loan capital and finance leases	102,163	54,329
Debt falling due within one year	(58,184)	(189)
<b>Debt due after one year</b>	<b>43,979</b>	<b>54,140</b>

The 9.5% debenture stock, repayable at par on 14 September 2018, is secured by a floating charge over the company's assets and undertaking. As detailed in note 26, the debenture stock was repaid in advance on 21 May 2007 and this security is being released.

The breakdown of nominal value, issue costs and premium of the 9.5% debenture stock is:

	Nominal value £000	Issue costs £000	Issue premium £000	Total £000
At 2006	26,500	(295)	3,102	29,307
Amortisation	-	22	(171)	(149)
<b>At 2007</b>	<b>26,500</b>	<b>(273)</b>	<b>2,931</b>	<b>29,158</b>

The bank loan is secured by a floating charge over the group's assets and undertaking and is repayable in instalments from 28 March 2018 with a final repayment of £10 million on 28 March 2023.

On 4 August 2006, the group renewed and extended its revolving credit facility with the Royal Bank of Scotland. This unsecured variable rate £75 million facility expires on 3 August 2007. A new £40 million revolving credit facility was entered into on 16 May 2007 (see note 26).

#### (b) Interest rates and fair value

	Effective interest rate	Period rate fixed	Nominal value 2007 £000	Nominal value 2006 £000	Fair value 2007 £000	Fair value 2006 £000	Carrying value 2007 £000	Carrying value 2006 £000
<b>Secured</b>								
Debenture fixed rate (1st tranche)	9.50%	11 years	15,000	15,000	19,500	20,389	15,000	15,000
Debenture fixed rate (2nd tranche)	6.31%	11 years	11,500	11,500	14,950	15,632	14,158	14,307
Bank loan swapped into fixed rate	5.90%	16 years	10,000	10,000	9,821	10,450	10,000	10,000
Bank loan	Variable		5,000	5,000	5,000	5,000	5,000	5,000
			<b>41,500</b>	<b>41,500</b>	<b>49,271</b>	<b>51,471</b>	<b>44,158</b>	<b>44,307</b>
<b>Unsecured</b>								
Revolving credit facility	Variable						58,000	10,000
Finance leases	7.59%						5	22
<b>Loan capital and finance leases</b>							<b>102,163</b>	<b>54,329</b>

#### (c) Maturity of financial liabilities and expiry of facilities

	Expiry of undrawn facilities		Maturity of financial liabilities	
	2007 £000	2006 £000	2007 £000	2006 £000
Between one and two years	-	-	194	184
Between two and five years	-	15,000	658	622
After five years	-	-	43,127	53,334
<b>Debt due after one year</b>	<b>-</b>	<b>15,000</b>	<b>43,979</b>	<b>54,140</b>

The group's principal treasury objectives are to manage financial risks and provide secure and competitively priced funding for the group's activities. It currently does this through a mixture of bank loans, debenture stock and finance leases as set out above. At the year end, 38.7% of the group's debt was fixed through a mixture of the 9.5% debenture and an interest rate swap. The main risks are interest rate, credit and liquidity and these are managed within limits set by the board. The board in particular recognises risks arising from increases in interest rates when a large proportion of debt is at variable rates. However, when it takes account of the £69 million proceeds due within the next twelve months from Minerva, it believes this risk is not inappropriate.

### 17. Provisions for liabilities and charges

#### (a) Deferred tax

	Group and company	
	2007	2006
	£000	£000
<b>Amount provided</b>		
Capital allowances	3,550	6,345
Other timing differences	(1,426)	(552)
<b>Deferred tax included in provisions for liabilities and charges</b>	<b>2,124</b>	<b>5,793</b>
Deferred tax on retirement benefit liability (note 18)	286	(1,769)
<b>Total amount of deferred tax provided</b>	<b>2,410</b>	<b>4,024</b>
<b>Movement in deferred tax account</b>		
Opening provision	4,024	2,089
Amount (credited)/charged (note 7)	(3,669)	89
Change in deferred tax on retirement benefit liability	2,055	1,846
<b>Closing provision</b>	<b>2,410</b>	<b>4,024</b>

#### Factors that may affect future tax charges

Based on current capital expenditure plans, the group expects to continue to be able to claim capital allowances in excess of depreciation in future years at the same level as the current year.

No provision has been made for deferred tax on gains recognised on revaluing property to its market value or where capital gains arising on the sale of properties have been rolled over into replacement assets. Such tax would become payable only if the property were sold without it being possible to claim further rollover relief. The total amount unprovided is estimated at £55.0 million. At present, it is not envisaged that any such tax will become payable in the foreseeable future.

The group has capital losses of £1,105,000 which are available indefinitely for offset against future capital gains. Deferred tax assets have not been recognised in respect of these losses because at present it is unclear whether suitable gains will arise in the foreseeable future to utilise these losses.

#### (b) Capital gains tax on ESOP allocated shares

	2007 £000	2006 £000
Opening provision	2,329	1,621
Profit and loss account	(158)	708
<b>Closing provision</b>	<b>2,171</b>	<b>2,329</b>

#### Summary of provisions for liabilities and charges

Deferred tax included in provisions for liabilities and charges	2,124	5,793
Provision for capital gains tax on ESOP allocated shares	2,171	2,329
<b>Provisions for liabilities and charges</b>	<b>4,295</b>	<b>8,122</b>

## Notes to the financial statements

(continued)

### 18. Retirement benefit liability

The group operates a defined contribution pension scheme, three defined benefit pension schemes and a post retirement health care scheme. The contribution to the defined contribution scheme was £144,000 (2006: £96,000).

An independent qualified actuary has updated the most recent actuarial valuations at 2 April 2005 to take account of the requirements of FRS 17 in order to assess the liabilities of the schemes as at 31 March 2007.

The employer contribution to the defined benefits schemes for the year ended 31 March 2007 was £2,372,000 plus premiums of £209,000 to the post retirement health care plan. The current arrangement as regards to contribution rates is described in the appropriate Schedules of Contributions.

The defined benefits schemes are closed to new entrants. Consequently the current service cost will increase as the members of the schemes approach retirement.

A curtailment gain of £1,464,000 (2006: £Nil) has been recorded within the pension schemes in relation to the members who have either left the schemes or transferred to the Wells & Young's pension scheme, as a result of the site review.

Future employee contribution rates will be either 2% or 5% of pensionable earnings. Future employer contribution rates will be either 16% or 18% of pensionable earnings.

#### Movement in scheme surplus/(deficits) in year

	Group and company	
	2007 £000	2006 £000
<b>(a) Pension schemes</b>		
Opening deficit	(2,218)	(8,731)
Current service cost	(2,110)	(2,140)
Contributions	2,372	1,819
Other finance income	1,910	704
Curtailment/settlement gain	1,464	–
Actuarial gain	3,373	6,130
<b>Closing surplus/(deficit)</b>	<b>4,791</b>	<b>(2,218)</b>
Related deferred tax	(1,437)	665
<b>Closing surplus/(deficit) net of deferred tax</b>	<b>3,354</b>	<b>(1,553)</b>
<b>(b) Health care scheme</b>		
Opening provision	(3,680)	(3,320)
Past service cost	(352)	–
Contributions	209	197
Other finance cost	(179)	(177)
Actuarial gain/(loss)	166	(380)
<b>Closing provision</b>	<b>(3,836)</b>	<b>(3,680)</b>
Related deferred tax	1,151	1,104
<b>Closing provision net of deferred tax</b>	<b>(2,685)</b>	<b>(2,576)</b>
<b>Total retirement benefit asset/(liability)</b>	<b>669</b>	<b>(4,129)</b>

#### Analysis of amount credited to other finance income

	2007 £000	2006 £000
<b>(a) Pension schemes</b>		
Expected return on pension plan assets	6,231	5,152
Interest on pension liabilities	(4,321)	(4,448)
<b>Net return</b>	<b>1,910</b>	<b>704</b>
<b>(b) Health care scheme</b>		
Interest on plan liabilities	(179)	(177)
<b>Net return</b>	<b>(179)</b>	<b>(177)</b>
<b>Combined net return</b>	<b>1,731</b>	<b>527</b>

#### Analysis of amount recognised in statement of total recognised gains and losses

	2007 £000	2006 £000
<b>(a) Pension schemes</b>		
Actual return less expected return on plan assets	1,451	9,727
Experience (losses)/gains arising on the plan liabilities	(58)	3,853
Changes in assumptions underlying the plan liabilities	1,980	(7,450)
<b>Actuarial gain recognised</b>	<b>3,373</b>	<b>6,130</b>
<b>(b) Health care scheme</b>		
Experience gains arising on the plan liabilities	10	146
Changes in assumptions underlying the plan liabilities	156	(526)
<b>Actuarial gain/(loss) recognised</b>	<b>166</b>	<b>(380)</b>
<b>Combined actuarial gain recognised</b>	<b>3,539</b>	<b>5,750</b>

## Notes to the financial statements

(continued)

### Assumptions made by the actuary

	Pension		Health care	
	2007 %	2006 %	2007 %	2006 %
Rate of increase in salaries	3.75	3.50	N/A	N/A
Discretionary pension increases	2.75	2.50	N/A	N/A
Rate of revaluation of deferred pensions	2.75	2.50	N/A	N/A
Discount rate	5.40	5.50	5.40	5.00
Inflation	2.75	2.50	2.75	2.50
General medical expenses inflation	N/A	N/A	9.40	9.40
Age related premium increases	N/A	N/A	Nil	Nil

### Pension scheme and health care scheme assets, liabilities and expected rates of return

	Expected rate of return		Assets and liabilities	
	2007 %	2006 %	2007 £000	2006 £000
Equities	8.25	8.50	25,240	59,595
Diversified growth fund	8.25	N/A	16,949	-
Property	7.25	7.00	-	591
Government bonds	4.50	4.25	-	-
Corporate bonds	5.40	5.00	26,800	7,584
Insured pensions	5.40	5.00	15,478	16,231
Other	4.75	4.25	1,147	2,894
Total market value of the assets			85,614	86,895
Present value of retirement benefit liabilities			(84,659)	(92,793)
Scheme surplus/(deficit)			955	(5,898)
Related deferred tax			(286)	1,769
			669	(4,129)

### History of experience gains and losses

	2007 %	2006 %	2005 %	2004 %	2003 %	2007 £000	2006 £000	2005 £000	2004 £000	2003 £000
Difference between the expected and actual return on scheme assets	1.7	11.2	6.1	6.0	(21.6)	1,451	9,727	4,408	3,786	(11,715)
Experience gains/(losses) on scheme liabilities	(0.1)	4.3	(0.2)	0.6	1.0	(48)	3,999	(191)	468	722
Changes in assumptions	2.5	(8.2)	(8.2)	6.8	(5.4)	2,136	(7,976)	(6,873)	4,974	(3,976)
Total amount recognised in the statement of total recognised gains and losses	4.2	6.2	(3.2)	12.6	(20.4)	3,539	5,750	(2,656)	9,228	(14,969)

### 19. Called-up share capital

		Authorised shares	Issued & fully paid shares	Authorised £000	Issued & fully paid £000
A ordinary shares of 50p each	2006 and 2007	7,266,000	7,266,000	3,633	3,633
Non-voting ordinary shares of 50p each	2006 and 2007	5,683,636	4,790,000	2,842	2,395
Total equity share capital	2006 and 2007	12,949,636	12,056,000	6,475	6,028

All ordinary shares rank equally inter se for all purposes of participation in profits or assets, but the non-voting ordinary shares do not confer the right to receive notice of, attend or vote at, any general meeting. The A ordinary shares and the non-voting ordinary shares are listed on AIM.

### 20. Reserves

	Group and company					Group	Company
	Share premium account £000	Revaluation reserve £000	Capital redemption reserve £000	Investment in own shares £000	Share-based payment reserve £000	Profit and loss account £000	Profit and loss account £000
At 2006 – as previously stated	1,296	87,139	1,808	(2,861)	-	49,255	49,255
Prior year adjustment (note 24)	-	-	-	-	107	(107)	(107)
At 2006 – restated	1,296	87,139	1,808	(2,861)	107	49,148	49,148
Profit for the period	-	-	-	-	-	41,822	41,918
Debenture issue costs written off	(22)	-	-	-	-	22	22
Amount (written back)/realised on sale	-	(9,565)	-	-	-	9,565	9,565
Gain on exchange of assets for interest in associate	-	-	-	-	-	11,205	-
Share-based payments	-	-	-	-	90	-	-
Movement in own shares: Employee benefit trust allocations	-	-	-	738	-	541	541
Actuarial gain on retirement benefit schemes, net of deferred tax	-	-	-	-	-	2,477	2,477
<b>At 2007</b>	<b>1,274</b>	<b>77,574</b>	<b>1,808</b>	<b>(2,123)</b>	<b>197</b>	<b>114,780</b>	<b>103,671</b>

#### Goodwill

At 31 March 2007, the accumulated goodwill on the acquisition of subsidiary undertakings which has been written off against reserves amounted to £3,697,000 (2006: £3,697,000). On any subsequent disposal of the related businesses, such goodwill would be reinstated and charged to the profit and loss account of the group.

#### Investment in own shares

On 31 March 2007, the Ram Brewery Trust held 376,217 unallocated A ordinary shares (2006: 499,217), including shares required for the group's executive share option schemes, with an aggregate cost of £2,123,000 (2006: £2,861,000) and market value of £11,655,000 (2006: £11,392,000). The shares are held to meet the group's future obligations under the terms of the profit-sharing scheme and executive share option schemes.

#### Share-based payment reserve

With the adoption of FRS 20: Share-based payments, the group has recorded an entry in the share-based payment reserve to reflect the effective cost of issuing an equity-settled share-based compensation plan to the directors in prior years. The charge for the year was £90,000 (2006: £107,000) and is based on the fair value of the option at grant date, amortised over the three year vesting period of the share options.

### 21. Net cash inflow from operating activities

	2007 £000	Restated 2006 £000
Operating profit	14,665	11,394
Depreciation	7,810	8,145
Employee benefit trust share allocations	1,279	406
Provision for capital gains tax on ESOP allocated shares	509	708
Share-based payment (note 23)	90	107
Movements in working capital		
Stocks	2,716	(175)
Debtors	2,485	(592)
Creditors	(1,198)	2,252
<b>Net cash inflow from operating activities</b>	<b>28,356</b>	<b>22,245</b>

## Notes to the financial statements

(continued)

### 22. Related party transactions

#### Directors

Details of directors' emoluments and retirement benefits are disclosed in note 4. Directors' shareholdings and interests are disclosed or referred to on pages 20 and 21 and in note 4(e).

Roy Summers, a non-executive director, is also a director of Canongate Technology Ltd, a supplier. During the period purchases from Canongate Technology Ltd amounted to £Nil (2006: £82,000). The amount outstanding at the period end was a receivable to the group of £2,000 (2006: £26,000 payable).

The Ram Brewery Trust is managed by a corporate trustee. None of the corporate trustee's directors was a director of the company as at the date on which these financial statements were approved. The corporate trustee is not a subsidiary of the company but seven of its eight shareholders are directors of the company. The assets of the trust are principally the company's A ordinary shares. As at 31 March 2007, the trust held 1,199,558 or 16.51% of the A ordinary shares.

There are two parts to the trust: the Pension Account and the General Account. The Pension Account was established in 1959 and provides pensions and other benefits to employees of the group and certain other individuals. The General Account, also established in 1959, holds assets and makes payments to or for the benefit of employees principally in connection with the group's profit-sharing scheme for eligible employees. The General Account also holds shares for the executive share option schemes.

No other transactions requiring disclosure have been entered into with the directors.

#### Associated undertaking

Listed below are the transactions between the group and Wells & Young's during the year:

	2007 £000	2006 £000
Sale of stocks by the group at cost	3,705	–
Sale of fixed assets and trade loans by the group at carrying value	163	–
Purchase of beer, wines and spirits for resale by the group	(12,251)	–
Rent and charge for services by the group	365	–
Management fees charged to the group	(196)	–

The following balances were outstanding between the group and Wells & Young's at year end:

	2007 £000	2006 £000
Amount receivable by the group	370	–
Trade creditor owed by the group	(2,817)	–

### 23. Share-based payments

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

	2007 No.	2007 WAEP (pence)	2006 No.	2006 WAEP (pence)
Opening balance of share options outstanding	442,079	720.6	512,018	701.4
Exercised during the year	(90,999)	587.5	(69,939)	580.2
Lapsed during the year	(21,565)	822.5	–	–
<b>Closing balance of share options outstanding</b>	<b>329,515</b>	<b>750.7</b>	442,079	720.6
<b>Exercisable at year end</b>	<b>258,305</b>	<b>644.1</b>	304,209	587.5

The expense from equity-settled share-based payment transactions is £90,000 (2006: £107,000). For the purposes of FRS 20, a share-based payment expense is only required for share options granted after 7 November 2002. The following share options, included in the table of outstanding share options above, were granted after 7 November 2002 and included within the calculation for share-based payment expense:

	2007 Number	2006 Number
Share options granted on 17 July 2003 with an exercise price of 822.5p, net of share options that have lapsed during the year ended 31 March 2007	–	32,345
Share options granted on 6 July 2004 with an exercise price of 1137.5p	83,960	83,960

The fair values of equity-settled share options is estimated at the date granted using the Black-Scholes-Merton formula, taking into account the terms and conditions upon which the options are granted. The following table lists the inputs to the formula used:

	2007	2006
Dividend yield (%)	2.08%	2.26%
Expected share price volatility (%)	18.40%	17.34%
Risk-free interest rate (%)	5.00%	4.64%

The fair values of share options at grant date, calculated by using the Black-Scholes-Merton formula, are as follows:

	Pence
Share options granted on 17 July 2003 with an exercise price of 822.5p	154
Share options granted on 6 July 2004 with an exercise price of 1137.5p	323

The share options granted on 17 July 2003 and 6 July 2004 both generally have a three year vesting period, and the share-based payment expense is recognised on a straight-line basis over this period.



## Notes to the financial statements

(continued)

### 24. Changes in accounting policies

FRS 20 Share-based payment which requires recognition of an accounting charge for share option plans was adopted in the year.

In the current year, with the investment in the associated undertaking and the preference to utilise the equity method of accounting from the investment date, the group has decided to prepare consolidated financial statements for the year ended 31 March 2007. In the prior year, under exemptions in sections 229 (2) and (5) of the Companies Act 1985, the company was not required to prepare consolidated financial statements and prepared information about the company as an individual undertaking.

The new accounting policies are detailed in note 1.

Comparative figures have been restated for the effects of these changes. The change in accounting policy has had the following effect on the profit and loss account and balance sheet.

#### Profit and loss account

	2007	2006
	£000	£000
FRS 20: Accounting charge for share-based payment	90	107

#### Balance sheet

<b>Opening shareholders' funds, as previously reported</b>	142,665
Prior year adjustments:	
FRS 20: Share-based payments charge to profit and loss account	(107)
FRS 20: Transfer to Share-based payment reserve	107
<b>Opening shareholders' funds, as restated</b>	142,665

### 25. Significant transactions

#### (a) Wells & Young's

On 23 May 2006, the group announced the merger of its brewing, beer brands and wholesale operations with the brewing assets, including the freehold site of the Eagle Brewery, beer brands and wholesale operations of Charles Wells Ltd. ("Charles Wells") to form a new brewing business called Wells & Young's.

On 29 September 2006, the group contributed its beer brands and certain assets to Wells & Young's. Following an additional subscription for shares in Wells & Young's by the group on 29 September 2006 at a cost of £10 million, the group now holds a 40% stake in Wells & Young's, with the remaining 60% being held by Charles Wells.

The investment in Wells & Young's has been accounted for in accordance with UITF 31 – Exchanges of businesses or other non-monetary assets for an interest in a subsidiary, joint venture or associate. As a result of the transaction, a gain of £11.2 million has been recognised in the consolidated statement of total recognised gains and losses.

The group's investment in Wells & Young's is being carried at £22.5 million, the group's 40% share of Wells & Young's net assets excluding the group's internally generated beer brands.

The investment is accounted for as an associated undertaking using the equity method, in accordance with FRS 9 – Associates and Joint Ventures.

Detail of the cost of investment in Wells & Young's:

	Group		Company	
	2007	2006	2007	2006
	£000	£000	£000	£000
Subscription for shares in Wells & Young's on 29 September 2006	10,000	–	10,000	–
Net book value of brewing and wholesale assets transferred	1,303	–	1,303	–
Fair value of beer brands and licences (UITF 31)	11,205	–	–	–
<b>Cost of investment in Wells &amp; Young's (Note 12(b))</b>	<b>22,508</b>	<b>–</b>	<b>11,303</b>	<b>–</b>

The corresponding entry in the consolidated statement of total recognised gains and losses resulting from the investment in Wells & Young's, reflecting the difference between the fair value of assets acquired and the cost of the investment, is included below:

	Group		Company	
	2007	2006	2007	2006
	£000	£000	£000	£000
<b>Gain on exchange of assets for interest in associated undertaking</b>	<b>11,205</b>	<b>–</b>	<b>–</b>	<b>–</b>

#### (b) Disposal of Wandsworth sites

On 3 August 2006, the group announced the disposal of the Ram Brewery site and the nearby Buckhold Road office and warehouse space in Wandsworth for a total cash consideration of £69 million.

The cash consideration is made up of a deposit of £14 million, held in trust by solicitors and receivable by the group in part on completion of the sale of each of the sites. In addition, £8.5 million will become payable in June 2007, on completion of the sale of the Buckhold Road site, and £46.5 million will become payable in January 2008, on completion of the sale of the Ram Brewery site. All payments are unconditional and are guaranteed by Minerva plc, a company listed on the main market of the London Stock Exchange.

The £69 million cash receivable has been discounted to £64.6 million at transaction date, based on a discount rate of 6% per annum. This discount of £4.4 million is being written back through the profit and loss account over the period until receipt of the final consideration. The carrying value of the receivable at 31 March 2007 is £66.8 million.

The net book value of the Wandsworth sites at 3 August 2006 was £10.8 million and at 30 September 2006 there were £11.6 million of additional assets connected with the wholesaling activities on these sites which have been written off as part of this transaction.

Assuming reinvestment of the disposal proceeds, the group expects that the taxable gains on the disposal of the Wandsworth sites should not be crystallised.

### 26. Post balance sheet events

The 9.5% debenture stock, repayable at par on 14 September 2018, and secured by a floating charge over the company's assets and undertaking, was redeemed in advance on 21 May 2007. As a result of this repayment, the group will record an operating exceptional loss of £6.9 million in the first half of the 2008 year.

On 16 May 2007, the group negotiated a new £40 million revolving credit facility with the Royal Bank of Scotland expiring on 16 May 2008. This new unsecured revolving credit facility was principally used to redeem the debenture stock.

## Five year review

	2007 £000	2006 £000	2005 £000	2004 £000	2003 £000
<b>Turnover</b>	<b>126,636</b>	123,873	119,532	111,982	107,828
<b>Operating profit before exceptional items</b>	<b>15,374</b>	13,492	13,676	12,639	11,953
Share of operating profit of associated undertaking	336	–	–	–	–
Exceptional items and discount of site proceeds	34,278	(2,644)	(752)	(129)	757
Net interest charge and other finance income	(3,687)	(3,346)	(3,605)	(3,626)	(3,343)
<b>Profit on ordinary activities before tax</b>	<b>46,301</b>	7,502	9,319	8,884	9,367
Tax on profit on ordinary activities	(890)	(2,958)	(3,135)	(3,014)	(2,768)
<b>Profit on ordinary activities after tax</b>	<b>45,411</b>	4,544	6,184	5,870	6,599
Preference dividends	–	–	–	–	(113)
<b>Profit attributable to ordinary shareholders</b>	<b>45,411</b>	4,544	6,184	5,870	6,486
Ordinary dividends	(3,589)	(2,808)	(2,671)	(2,660)	(2,643)
<b>Retained profit for the financial period</b>	<b>41,822</b>	1,736	3,513	3,210	3,843
<b>Adjusted profit before tax</b>	<b>12,023</b>	10,146	10,071	9,013	8,610
<b>Net assets employed</b>					
Fixed assets	254,744	217,526	212,455	209,254	205,515
Net current liabilities	(7,601)	(8,470)	(6,497)	(5,510)	(9,013)
Long-term creditors	(43,979)	(54,140)	(53,806)	(57,011)	(47,409)
Provisions and retirement benefit	(3,626)	(12,251)	(15,761)	(7,484)	(7,229)
	<b>199,538</b>	142,665	136,391	139,249	141,864
<b>Financed by</b>					
Ordinary share capital	6,028	6,028	6,028	6,028	6,378
Reserves	193,510	136,637	130,363	133,221	135,486
	<b>199,538</b>	142,665	136,391	139,249	141,864
<b>Purchase of fixed assets and investment in associated undertaking</b>	<b>56,755</b>	13,451	15,526	12,539	16,486
<b>Per 50p ordinary share</b>					
Adjusted earnings	75.36p	58.72p	58.59p	50.11p	46.39p
Basic earnings	391.29p	39.39p	53.98p	48.95p	52.98p
Dividends – paid in year	30.90p	24.25p	23.05p	22.50p	21.40p
Net assets	£17.08	£12.34	£11.88	£12.14	£11.63
<b>Gearing</b>	<b>50.7%</b>	38.1%	38.8%	40.3%	35.7%
<b>Average number of employees</b>	<b>2,281</b>	2,110	2,044	1,995	2,140

The figures for 2006, but not earlier years, have been adjusted for the adoption of FRS 20 Share-based payment.

The figures for 2005, but not earlier years, have been restated for the prior year adjustment arising from the adoption of FRS 17 Retirement benefits and FRS 21 Events after the balance sheet date and the recognition of capital gains tax on ESOP allocated shares.

The figures for 2004 and 2003 have been restated for the prior year adjustment arising from the adoption of UITF 38 Accounting for ESOP Trusts.

## Senior personnel, committees and advisers

### Directors

Christopher Sandland, A.C.M.A., M.Sc.  
Non-executive chairman

Stephen Goodyear  
Chief executive

Torquil Sligo-Young  
Information services

Peter Whitehead, F.C.A.  
Finance

Patrick Dardis  
Retail

Roy Summers, O.B.E., D.Univ., F.I. Brew.  
Non-executive senior independent director

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

Company secretary  
Anthony Schroeder

### Audit committee

Roy Summers (chairman)  
Nicholas Bryan

Remuneration committee  
Roy Summers (chairman)  
Nicholas Bryan

### Auditors

Ernst & Young LLP  
1 More London Place  
London SE1 2AF

### Bankers

Royal Bank of Scotland Group plc  
Corporate Banking London  
280 Bishopsgate  
London EC2M 4RB

### Nominated adviser and stockbroker

JPMorgan Cazenove Limited  
20 Moorgate  
London EC2R 6DR

### Solicitors

Bryan Cave  
33 Cannon Street  
London EC4M 5TE

Slaughter and May  
One Bunhill Row  
London EC1Y 8YY

## Shareholder information

### Registrar:

The company's registrar is  
Computershare Investor Services PLC.  
If you have questions about your  
shareholding or if you require other  
guidance (e.g. to notify a change of  
address or to give instructions for  
dividends to be paid directly into a bank  
account) please contact Computershare.  
All requests to amend account details  
must be made in writing to:

Computershare Investor Services PLC  
P.O. Box 82  
The Pavilions  
Bridgwater Road  
Bristol BS99 7NH

You can also contact Computershare by  
telephone: 0870 702 0000

### Registrar's investor centre:

Shareholders can manage their Young's  
shareholding online at:  
[www-uk.computershare.com/investor](http://www-uk.computershare.com/investor)

### Share dealing service:

JPMorgan Cazenove Limited:  
020 7588 2828

The availability of this service should not  
be taken as a recommendation to deal.

### Shareholder offers:

Details of shareholder discounts and  
offers are mailed to shareholders from  
time to time. Any shareholder who does  
not wish to receive details of such offers  
should write to the company secretary  
at the registered office.

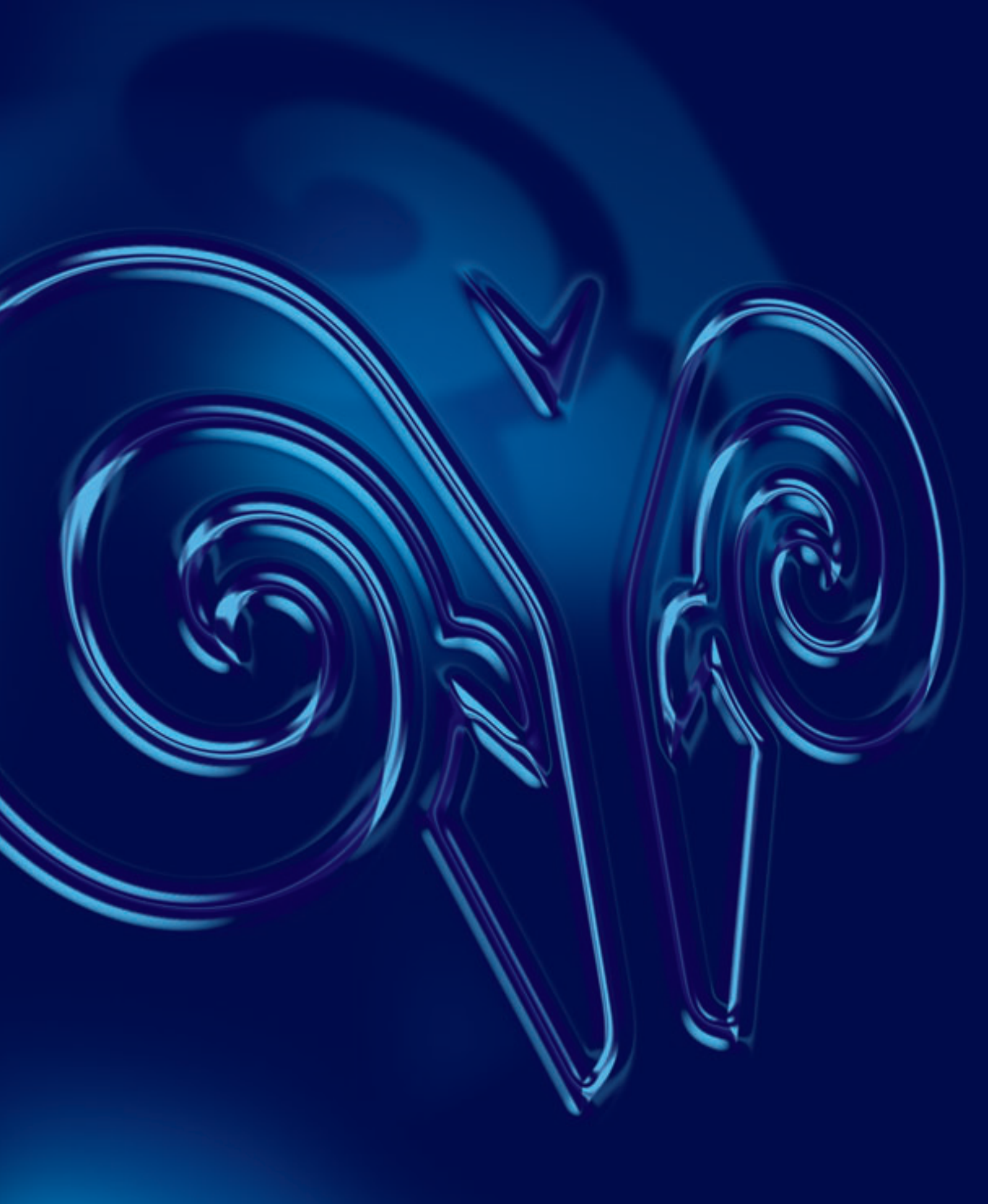
### Registered office and company number:

Riverside House  
26 Osiers Road  
Wandsworth  
London SW18 1NH  
Registered number: 32762

For further information about the  
company please visit our website at:  
[www.youngs.co.uk](http://www.youngs.co.uk)

### Financial diary 2007:

13 June 2007  
Ex-dividend date for final dividend  
15 June 2007  
Record date for final dividend  
10 July 2007  
Annual general meeting  
12 July 2007  
Payment of final dividend  
15 November 2007  
Interim results announcement  
21 November 2007  
Ex-dividend date for interim dividend  
23 November 2007  
Record date for interim dividend  
7 December 2007  
Payment of interim dividend



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