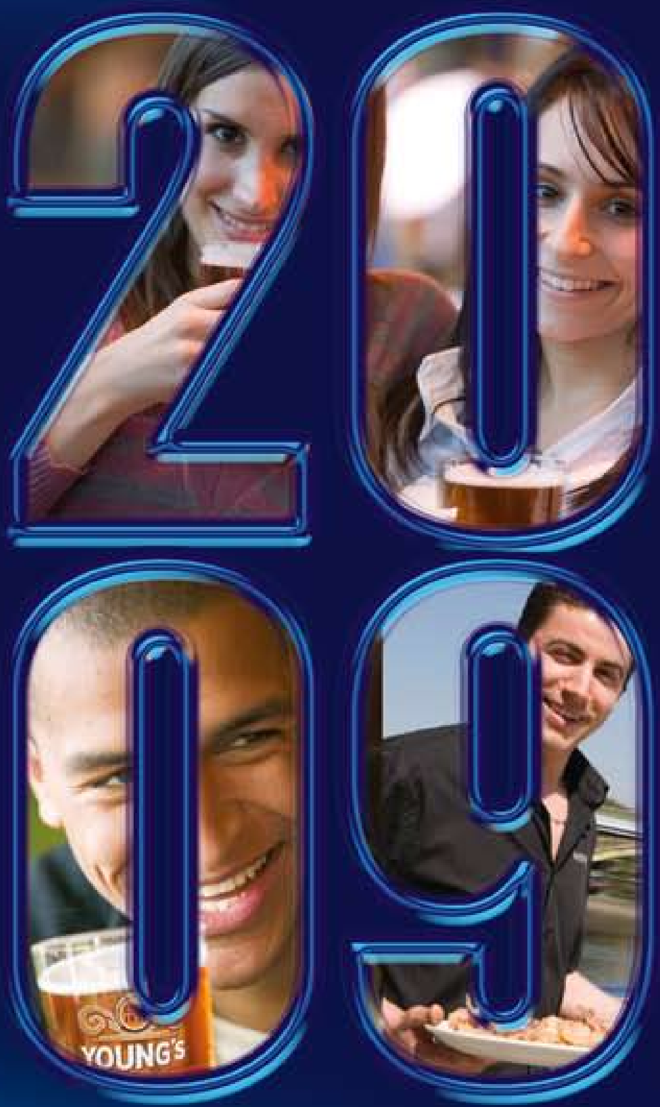
EST. THE RAM BREWERY WANDSWORTH 1831
YOUNG'S

# Annual Report



2009

# Contents

# 2009 Financial highlights

| | 2009 £000 | Restated 2008 £000 | % change |
|---|---|---|---|
| **Revenue** | 126,091 | 122,124 | +3.2 |
| **Operating profit before exceptional items** | 20,546 | 20,858 | -1.5 |
| **Profit before tax** | 4,213 | 11,620 | -63.7 |
| **Adjusted profit before tax*** | 19,157 | 18,588 | +3.1 |
| **Basic earnings per share** | 2.55p | 16.04p | -84.1 |
| **Adjusted basic earnings per share*** | 27.77p | 26.28p | +5.7 |
| **Dividend per share** (interim + recommended final) | 12.75p | 12.50p | +2.0 |

*All of the results above are on continuing operations.*

*The comparative figures have been restated as detailed in note 11(f).*

**Throughout the annual report, reference to an "adjusted" item means that it refers to continuing operations only and has been adjusted to exclude:*
- *exceptional items for both parent and associate;*
- *other non-recurring items for the parent, namely the premium paid on redemption of debenture and the discount of site proceeds; and*
- *in the case of after-tax amounts, the tax adjustment on phasing out of industrial buildings allowances for both parent and associate.*

# 2009 Chairman's statement

*This forms part of the directors' report on pages 12 to 18.*

When I wrote to shareholders last year about the challenges that were facing the business, I do not think any of us had any notion of the financial storm that was about to engulf the economy. Indeed it was not really until September and the collapse of Lehman Brothers that it became clear that these problems were on a different scale to anything we had seen before. As events unfolded over the autumn, it was apparent that an unprecedented financial crisis was accompanied by a sharp recession. To the news of bank bailouts was added news of companies going bust, job losses and more bank bailouts.

Against such a difficult economic background it is not surprising that Young's has had an exceptionally demanding year. Although some key items in the cost of living, especially petrol, heating and mortgages, have actually come down, the economic environment has severely dented the confidence of our customers. In addition our industry has had its fair (or rather unfair) share of additional pressures to deal with over the past year – the continuing fall-out from the smoking ban, yet more above inflation duty hikes and a continuing stream of additional red tape, to name but three.

Although Young's has been affected by all these factors, our performance over the past year has benefitted from the consistent application of our strategy. We have continued to invest in our highly individual, well located pubs, trading under the strong Young's brand. We have maintained our premium offering with further investment in the important growth area of food and have invested in improved service standards. We have continued to finance the business in a careful and measured manner. These actions have all contributed to a resilient performance.

We have not been helped by Government. Despite strong representations from our industry body – the British Beer and Pub Association – the Chancellor chose to impose another above inflation increase in alcohol duty rates in his April Budget. With increasing duty contributing to record numbers of pub closures and consequent job losses across our industry, this approach is not consistent with his claim that this was a budget for jobs.

Pubs offer a monitored and regulated environment in which to enjoy a drink. A tax policy that contributes to pub closures, while supermarkets are allowed to sell alcohol at loss-leading prices, can only serve to aggravate the problem of alcohol abuse amongst the young. Indeed the latest consultation document from the Home Office illustrates the Government's belief that the imposition of yet more controls and costs upon the pub trade will solve the problem. We do not need more red tape. The problem of binge drinking reflects issues in our society that are not easily addressed: the best immediate practical measure would be to reduce the availability of cheap alcohol in our supermarkets and off-licences.

The House of Commons Business and Enterprise Committee in its recent report called for the pub sector to be referred to the Competition Commission for yet another investigation into the tied pub model. We believe the tie is important to our trade. It provides aspiring licensees with the opportunity to set up their own business without the need for a significant capital outlay to buy their own pubs. By linking a portion of the rent to liquor sales, it also offers flexibility as the total rent charged reflects the success of the business. It provides levels of help and support in the form of training and advice that would not exist if it was simply a property transaction. No-one forces tenants to enter into tied agreements and many thousands have taken up the offer over many, many years. There is also no doubt that without the tie a number of smaller regional brewers would go out of business, leading to further pub closures and reduced consumer choice. We do not believe that there is any justification for yet another expensive and distracting investigation, particularly in these difficult times, and we very much hope that the Government rejects the committee's call for yet another inquiry.

Turning to our own performance, I am pleased to report that despite all of the challenges we faced over the year, revenue was up 3.2% to £126.1 million, adjusted profit before tax was up 3.1% to £19.2 million and adjusted earnings per share up 5.7% to 27.77p. Our profit before tax was £4.2 million (2008: £11.6 million) after taking account of a number of adjustments, the largest of which being a non-cash impairment charge of £10.7 million on our pub estate which has a conservative book value of £262.5 million. I believe these are good results in the circumstances and on behalf of the Board and our shareholders I would like to thank our Chief Executive, Stephen Goodyear, and our executive directors for their achievements this year.

Two new non-executive directors, Roger Lambert and David Page, were appointed to the Board following last year's Annual General Meeting. Their widespread City and leisure experience has been of great benefit during these turbulent times and I thank them, and our senior non-executive director Nick Bryan, for their contributions during the year.

It has been a tough year for our managers and staff throughout the estate. They have risen to the challenges with great energy and enterprise and my thanks go to them and to our head office team.

Finally I would like to thank our shareholders. It has not been an easy time to be a shareholder of any company over these past 12 months. Your loyalty to Young's, and in many cases your continuing custom, is most appreciated. We will continue to work hard to ensure that the enterprise you bought into flourishes. It has excellent ingredients: an asset base of quality freehold pubs, well invested and well managed to yield stable returns and excellent cashflow; a welcome mix in these uncertain economic times and a solid foundation from which to build on further when times improve.

In recognition of your continuing support and the Board's long term approach to delivering shareholder value, but mindful of the near term challenges, we are proposing a 2% increase in the final dividend to 6.63p per share, making 12.75p for the year as a whole (2008: 12.50p). If approved by shareholders, the final dividend will be paid on 16 July 2009 to shareholders on the register on 12 June 2009. This is the twelfth consecutive increase in the dividend, which has more than doubled over the past three years.

The future is uncertain with little consensus about when the recession will end. There is, indeed, a bewildering array of letters from the alphabet being used to describe its likely shape; will it be a U or a V or an L or a W? Whatever the outcome, Young's is not immune to recession, but we believe that by sticking to our strategy and continuing to apply prudence to the management of our balance sheet, we are well placed to face the challenges that lie ahead. We look forward to the coming year resolutely and with confidence.

The AGM will be held on 14 July and I would draw your attention to the notice of that meeting which is on pages 59 to 62 of this report.

**Christopher Sandland**
**Chairman**


2009
The LEATHER BOTTLE
& Dining
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# 2009 Chief executive's report

*This forms part of the directors' report on pages 12 to 18.*

Young's has produced a good performance in very challenging conditions, with the financial and economic pressures compounded by significantly higher externally imposed costs across the business. Against this backdrop, our results over the past year were pleasing and show the resilience of our business.

We remain focused on maintaining our premium position within the pub sector and, in today's turbulent market conditions, are even more convinced that the style, quality and individuality of our pubs, trading under the strong Young's brand, are the key ingredients of our continuing success. The differentiated positioning of our estate has helped us face the most demanding market conditions for over a generation. Revenue was up 3.2%, adjusted profit before tax up 3.1% and adjusted basic earnings per share up 5.7% to 27.77p.

Each year, in line with best practice, we review the value of our estate on a pub by pub basis. Whilst the Board believes that, overall, this is higher than the 1997 valuations carried on the Group's balance sheet, we have taken the decision to write down the values of a number of individual pubs by £10.7 million in total. This leaves the balance sheet carrying value of our pubs at £262.5 million. As a result of this non-cash adjustment and other exceptional items, profit before tax was £4.2 million (2008: £11.6 million).

**Review of operations**

Managed house revenue was up 4.5% to £111.4 million, reflecting the acquisitions and investments made in the business over recent years. Same outlet like for like sales were flat compared with last year and down 1.9% on an uninvested basis. Margins were impacted by significant inflationary pressures on operating costs from wages and food and above inflation increases in excise duty. The price of gas and electricity rocketed in the first half but subsided towards the end of the year as the world economy faltered. We believe we have responded well to these cost pressures and the initiatives introduced during the course of the year have further helped our pub managers in adopting and maintaining high standards. The managed houses' operating profit for the year was £25.9 million (2008: £26.8 million) and its EBITDA was little changed at £32.5 million (2008: £32.6 million).

We have seen some consumer trends emerging in response to the credit crisis. Spending patterns are showing a more marked split between the beginning and end of the week as going out tends to become more of an occasion than an every day event. We believe we should also benefit from the fall in the value of the pound, which will hopefully encourage tourists to visit London and experience the "traditional British pub" as exemplified by the Young's pub estate. In addition, more domestic visitors to London and more Londoners remaining in town at weekends should help this part of our business.

Price is clearly an important factor for consumers in these straitened times and we must remain competitive. We have resisted the temptation to try and drive top line sales through liquor discounting as we consider this to be counter productive when we are driving cash profits by maintaining a long term premium market position. We also don't think this is a responsible approach in the context of tackling binge drinking.

Reflecting the economic conditions, hotel rates and food were particular areas that came under pressure as the year progressed. RevPar (average room rate achieved multiplied by occupancy percentage) was down 7.9% to £38.69 as falling demand impacted rates and occupancy. Although food sales grew at 7.3% over the year, this was driven by the acquisitions and in the second half food sales came under pressure. We have adapted our menus to counter this. We believe our new menus meet the tighter consumer budgets and maintain gross profit margins. Food sales now comprise 26.1% of total sales.

In January we launched a variety of food promotions designed to drive footfall in quieter trading periods. The most popular was a "2 dine with wine for £20" offer which succeeded in attracting a large number of new customers to participating pubs. It also resulted in adding some 12,500 e-mail addresses to our database. The web is transforming the ability of our pubs to reach out into their local communities with offers and special events. This new dialogue is a trend that will benefit community pubs long into the future. We now have a database of some 240,000 customers who have registered their details with us, which averages out at just over 2,900 for the 82 managed houses that have their own website.

We are continuing to develop the quality and provenance of our ingredients with the recent introduction of centrally-sourced fresh meat from British farms selected for their high standards of quality and animal welfare and husbandry.

Conscious of the potential impact of the company's operations on the community and the environment, we have undertaken a number of initiatives. Over 80% of our managed houses recycle glass, with more than 1,500 tonnes being recovered in the year. Cardboard packaging waste was also addressed with some 261 tonnes processed. Cooking oil in most of our managed pubs is converted to Bio Diesel at a local plant.

We place great emphasis on the quality and ambience of our pubs. We invested £6.2 million in our existing managed estate during the year and £3.7 million on developing recent acquisitions. We also bought four managed pubs for £12.1 million: the Old Ship on the Thames in Hammersmith, the Parrot, Canterbury's oldest pub, the Roebuck in Hampstead and the George in Fulham.

The past year was clearly a testing time to be re-launching both new and upgraded pubs. Those pubs that have just completed their first twelve months post major development have generated an incremental cash return of 17.1% on that investment. The newly acquired pubs will inevitably take longer in this market to meet our targeted returns. However, they are great additions to our estate and we are confident that with the actions we have in place they will achieve their potential.

In the coming year we will keep a close watch on our capital expenditure, reducing the investment in the existing estate after a period of heavier than normal investment but staying mindful of maintaining its high quality and amenity value.

In 2007, when pub acquisition opportunities were more limited, we announced an extensive plan to seek growth through the development of new hotel rooms at a number of our pubs. We invested £0.9 million in the year on exploring hotel development opportunities within 19 of our existing pubs. We have been successful in identifying specific opportunities and have obtained planning permission to exploit them. Where this has not been the case and as a result of the deteriorating hotel cycle we have put our plans on hold. We have therefore taken the decision to write off £0.7 million of this investment.

Our tenanted pubs have clearly been affected by the difficult market conditions. Total revenue was down 3.3% at £14.3 million and operating profit was down 2.7% at £5.8 million. Tenanted house EBITDA was unchanged at £7.0 million (2008: £7.0 million). We continued to invest in our tenanted estate with a further £2.0 million on a variety of projects. Given the state of the current market, we are pleased with the progress our tenants are making.

We have been actively supporting our tenants during these tough economic times, where necessary agreeing workable and realistic plans for the future. In addition we took the decision for the benefit of all our tenants to absorb the duty increases on beers, wines and spirits that accompanied the 2.5% VAT reduction in December and to defer all 2009 supplier price increases until March 2009. We have also delayed passing on any of the additional duty arising from the Chancellor's April budget until July 2009.

We transferred one pub from tenanted to managed and at the end of the year had 122 managed pubs (2008: 116), of which 88 are freehold and 11 are long leaseholds with in excess of 40 years to run at minimal rents. In addition we disposed of one tenancy, and two tenancies ceased trading during the course of the year, leaving us with 99 tenancies at the year end (2008: 103) of which 85 are freehold.

We were delighted to be named Pub Company of the Year in our category (Managed Pub Group 100+ outlets) at the 2009 Publican awards in March. This was due to everyone in head office and our pubs working tirelessly together in meeting our customers' needs; an immense and greatly appreciated contribution.

In addition, the Nightingale, one of our managed pubs in Balham, South West London, was the Publican's Community Pub of the Year, a fantastic achievement given the high levels of competition and a great tribute to the managers of the Nightingale, Keris and Lee Devilliers. As with many of our pubs, the Nightingale plays an important part in raising money for charity. The Nightingale Walk, a fund raising event named after the pub, has been supported by loyal customers and friends for 30 years and last year raised around £30,000 for good causes. This amount was almost equalled by our Christmas Santathon with Father Christmas hats being given away in return for a donation to Great Ormond Street Hospital.

### Wells & Young's Brewing Company

Wells & Young's contributed £1.9 million to Young's adjusted profit before tax, in line with our expectations. This was achieved despite the demanding trading environment, with higher raw material and utility costs compounded by the impact of poor summer weather on lager sales. Own brewed beer volumes were down 3.8%, a better performance than the industry as a whole, which was down 4.9%.

Wells & Young's continues to make excellent progress in consolidating its position as one of the UK's leading cask ale producers, with new advertising campaigns launched for Young's Bitter, Bombardier and Courage Best. At the beginning of the year, Young's Bitter became the first cask ale to obtain the Red Tractor logo, signifying it has been brewed in the UK using British hops, malt and barley.

In response to the continuing challenging conditions and as part of the Board's emphasis on maximising efficiency, Wells & Young's announced in February its plans to outsource its remaining dray fleet and warehousing activities to Kuehne + Nagel Drinks Logistics (KNDL). This follows the successful outsourcing of its London distribution to KNDL in 2007. It is expected that the outsourcing will take effect from June 2009.

### Investment and finance

The business continues to be highly cash generative, producing £26.4 million of cash from operations in the year. We invested a total of £24.5 million in our business and disposed of one pub for £1.4 million. At the end of the year, net debt was £65.3 million (2008: £50.0 million). Our operating profit before exceptional items covered our interest cost 5.4 times and gearing at the year end was 39.8%.

Our adjusted profit on continuing operations before tax was up 3.1% at £19.2 million with adjusted basic earnings per share up 5.7% at 27.77p. This performance was achieved by increased revenues, lower finance costs and tight cost control more than off-setting the inflationary pressures, duty increases and regulatory burdens the business faced. Reflecting the market conditions, wages and salaries for


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directors, head office and pub managers have been frozen at current rates. No directors' bonuses will be paid in relation to the past year.

Our profit before tax has been adjusted to take account of certain items. Within Young's, these were the £10.7 million non-cash write down of pub values, the £0.7 million hotel development write off and a £0.1 million capital gains tax charge on shares within our Employee Share Ownership Plan, all partly offset by the £0.9 million profit on the sale of the Fountain Head. Within Wells & Young's, there was an adjustment due to a reorganisation of the business (£3.4 million) which involved both redundancy costs and an impairment in the value of their distribution centre. In addition there has been an adjustment for foreign exchange and interest rate movements which has had a net adverse effect of £0.4 million.

We have also made a further £0.8 million profit from our brewery site disposal mainly due to more favourable tax treatment than originally anticipated. This has been classified as a discontinued item.

With the fall in investment markets, the net pension scheme deficit has increased to £11.8 million on an IAS19 basis. We will be making additional contributions next year of £1.3 million over and above regular service contributions in order to address this.

Young's has a freehold-backed balance sheet and committed banking facilities of £90 million in place. £35 million of this facility is at a fixed interest rate of 6.0%, the remainder is floating at a margin above LIBOR. Net interest charged in the year was down 32.2% to £3.6 million (2008: £5.3 million) due to reduced floating rate interest costs and, taking the year as a whole, a lower average level of debt. £50 million of this debt reaches maturity between March 2018 and March 2023 and none of the committed facilities needs to be renewed until March 2013. The Board's cautious approach to financing has enabled it to avoid the over-leverage that has adversely impacted some operators in the pub sector.

## Current trading and outlook

Market conditions remain difficult, not least as a result of rising unemployment. Nevertheless sales within our managed pubs in the last 13 weeks were 3.0% ahead of last year albeit 1.3% behind on a same outlet like for like basis.

Additional costs will continue to affect the business. Duty rises in particular will impact our liquor margins compounded in the case of wines by the strength of the euro.

We have a cash-generative business, well-invested estate, great pubs in great locations, robust balance sheet and strong brand. Along with a dedicated team, we are well positioned to meet the challenges of the year ahead.

**Stephen Goodyear**
**Chief executive**
**27 May 2009**


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# 2009 The board of directors

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

*Non-executive chairman*
Joined the company in 1973 as management accountant, subsequently working in a variety of roles including company secretary and personnel director. Graduated MSc (now MBA) from London Business School in 1981. Appointed to the board in 1990 and retired as an executive director in April 2006. Appointed non-executive director in July 2006 and non-executive chairman in October 2006. Aged 60.

## Torquil Sligo-Young

*Human and information resources*
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 personnel, health and safety and the company's technological needs. Previously worked for stockbrokers Bell, Lawrie, Macgregor & Co. Aged 49.

## 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 53.

## 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 47.

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

*Non-executive and senior independent director*
Appointed to the board in 2006. Member and chairman of the company's audit and remuneration committees. Co-founder and chief executive of the Innserve 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 Inntrepreneur (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 56.

## 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 50.

## David Page

*Non-executive*
Appointed to the board in 2008. Member of the company's audit and remuneration committees. Co-founder and chairman of The Clapham House Group plc whose restaurants trade as Gourmet Burger Kitchen, The Real Greek and Tootsies. Prior to founding Clapham House, spent the previous 27 years with Pizza Express plc; initially as managing director of the largest franchisee group, becoming chief executive of the holding company in 1993, chairman in 1998 and returning to the post of chief executive in 2002. Non-executive Chairman of Clerkenwell Ventures plc and a non-executive director of Singer & Friedlander AIM 3 VCT plc. Aged 56.

## Roger Lambert, M.A.

*Non-executive*
Appointed to the board in 2008. Member of the company's audit and remuneration committees. Previously worked for 26 years in corporate finance at JPMorgan Cazenove, a leading UK investment bank, where he was a senior Managing Director with responsibilities for corporate client coverage of the consumer sector. Has a wealth of relevant expertise in brewing, drinks and hospitality, having acted for over 25 companies in the sector. Was involved in many of the major transactions that changed the industry in recent years and developed considerable advisory expertise in the area of small, family and medium sized companies. Aged 50.

# 2009 Directors' report

The directors present their annual report, and the audited financial statements, for the financial year ended 28 March 2009.

### Principal activities

The principal activities of Young & Co.'s Brewery, P.L.C. ("Young's" or "the company") during the year were the management and operation of its pub estate and the selling of food and drink through it. Bill Bentley's (Bishopsgate) Limited, one of the company's two subsidiaries, was dormant throughout the year and did not carry on any activities. Bushranger Property Co. Limited ("BPC"), the company's other subsidiary, was a property holding company. Immediately after Young's acquired the entire issued share capital of BPC in August 2008, BPC transferred the Old Ship, Hammersmith to Young's and BPC ceased to carry on any activities. BPC is now in liquidation.

### Business review

A review of the company's business is contained in the chairman's statement (on pages 2 and 3) and in the chief executive's report (on pages 5 to 9), both of which form part of this report. No important events affecting the group have occurred since the end of the year.

### Key performance indicators

The board measures the development, performance and position of the company's business by reference to the following factors:

- *Adjusted profit before tax:* this is the profit before tax on continuing operations only, adjusted to exclude:
  - exceptional items for both parent and associate; and
  - other non-recurring items for the parent, namely the premium paid on redemption of debenture and the discount of site proceeds.
- *Adjusted earnings per share:* this is the adjusted profit before tax detailed above, but after tax has been deducted divided by the weighted average number of ordinary shares in issue. The tax charge has been adjusted to take account of tax in respect of the items detailed above and also those relating to the phasing out of industrial buildings allowances for both parent and associate. It provides a useful statistic to compare with a share price or dividend, for instance.
- *Like for like revenue:* this is measured on two bases. Same outlet like-for like revenue growth compares this year's revenue with last year's for the pubs that traded throughout both years. Uninvested like-for-like revenue is for the same pubs but where only a limited amount of capital has been invested.
- *RevPar:* this is the group's revenue per available bedroom. It is the average room rate achieved multiplied by the occupancy percentage.
- *EBITDA by business segment:* for both the managed and tenanted business segments EBITDA has been calculated by adding back depreciation and exceptional items to the segment result shown in note 4. These provide useful information in determining the value of the underlying assets.

  The board regularly reviews its key performance indicators and believes that EBITDA by business segment is a more useful measure than the adjusted EBITDA which was applied in previous years. Therefore the adjusted EBITDA measure although valid is no longer regularly used.
- *Interest cover:* this is the company's operating profit before exceptional items divided by the finance costs.
- *Gearing:* this is the company's net debt divided by its net assets.

Both interest cover and gearing are useful tools in determining whether the business can maintain its current level of debt or its capacity to increase that level.

The performance of the business in the year, measured by reference to these factors, is shown in the chief executive's report (on pages 5 to 9), which forms part of this report, and in the financial highlights on page 1.

### Profits and dividends

The profit for the year attributable to shareholders was £2.1 million. The directors recommend a final dividend for the year of 6.63p per share. Subject to approval at the AGM, this is expected to be paid on 16 July 2009 to shareholders on the register at the close of business on 12 June 2009. When added to the interim dividend of 6.12p per share, this will produce a total dividend for the year of 12.75p per share.

### Likely future developments

An indication of likely future developments in the group's business is contained in the chief executive's report (on pages 5 to 9), which forms part of this report. Bill Bentley's (Bishopsgate) Limited is expected to remain dormant and not carry on any activities. Bushranger Property Co. Limited will be liquidated.

### Principal risks and uncertainties

The principal risks and uncertainties facing the company are listed below. It is not an exhaustive list of all significant risks and uncertainties. Some risks may currently be unknown and other risks, currently regarded as immaterial, could turn out to be material.

*Reduced consumer spending*

The company's revenue is largely dependent on consumer spending which can be affected in numerous ways. Examples include the general economic environment and terrorist activity. Attitudes to various social factors 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 is 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 also seeks to minimise this risk further with its customer-focussed designs, high service standards and value-for-money quality food and market-leading drinks. Spending in the company's pubs and restaurants is also 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 seeks 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: drink, food and utilities*

The company relies on a number of suppliers for drink, food and other services to its pubs. It has an exclusive agreement with its associate, Wells & Young's, for the supply of drinks to its pub estate. It also has a number of arrangements with food suppliers. In terms of both drink and food, the company remains exposed to the risk of price increases and to the risk of interruption or failure of suppliers resulting in products not being delivered on time or to the standard expected. It attempts to mitigate this risk by entering into fixed price arrangements, by regularly reviewing the suppliers it uses, by having informal arrangements in place such that substitute suppliers or products could be used if required and by having safety measures in place which seek to ensure product integrity is maintained wherever possible. The company uses a large amount of electricity and gas and is therefore particularly subject to fluctuations in their cost. To help counter this, the company's needs and price-changes in the market are reviewed regularly and, where appropriate, it makes forward purchases; it is also continually looking at ways of promoting further efficiencies in energy consumption.

*Smoking ban*

The ban on smoking in pubs came into force on 1 July 2007. This poses a risk to turnover if those that wish to smoke are not sufficiently accommodated at the company's pubs. At the same time, it also represents an opportunity to attract new customers to the company's pubs, to increase sales of food and to capitalise on improved outside areas. Indeed, to mitigate the risk, and for other reasons, the company continues to invest in covered, well-lit and comfortable outside areas and to promote its enhanced food offering. At this stage (and against a background of a much tougher economic climate) it is difficult to assess the impact of the ban.

*Licensing*

Local residents, the police and other relevant agencies have a right to ask the local authority for any premises licence to be reviewed at any time if they believe that any of the Government's licensing objectives is being compromised. As a result of such review, the local authority can 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. The company has training programmes in place which 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.

*Other regulation*

Changes in regulation can have a significant impact upon the company's business. In addition to those already mentioned, other examples include increases in the minimum wage and the proposed move to plastic glasses. The company seeks 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 and Pub Association, it also seeks 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. In addition, it works with an outside third party in ensuring changes in health and safety practices and procedures are incorporated into the business and reviewed on a regular basis.

*Taxation*

A number of tax-related matters affect the company, including business taxes, duty on alcoholic beverages and property rates. Again, as a member of the British Beer and Pub Association, it seeks to ensure that appropriate action is taken to minimise tax-related risks. It also regularly reviews its operating procedures to identify ways in which the impact of tax-related cost increases can be lessened through productivity increases or other cost reductions.

*Pensions*

The company operates three defined benefit pension schemes; the staff scheme, the works scheme and the Ram Brewery Trust Pension Fund. Operating these schemes gives rise to various funding risks, the main one of which is the variability of the amount of contributions required to be paid to the schemes by the company 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's pension risks have been mitigated by the closure of the staff scheme and the works scheme to new entrants in 2003; they continue to be lessened by the company making additional contributions over and above regular service contributions in order to address previous funding deficits. The company also maintains a close dialogue with the various schemes' trustees.

*IT and telecoms*
The company, and particularly its managed estate, is reliant on IT systems for communication, sales transaction recording, stock management, purchasing, accounting and reporting and many of its internal controls. Any failure of these systems would cause some degree of disruption to the business and any extended period of downtime, loss of backed up information or delay in recovering information, could affect performance significantly. To help protect against this, information is routinely backed up and the company has arrangements with a third party provider to assist with data recovery. It also regularly monitors the needs of the business and invests in new technology and services as necessary.

*Finance*
Note 17 on page 44 contains an indication of the company's exposure to certain financial risks.

*Government inquiry into pubcos*
In 2004, the Trade and Industry Committee (the "TAIC") carried out an inquiry on *Pub Companies*. Amongst other things, it found that the "immediately quantifiable cost of the tie [was] usually balanced by the benefits available to tenants" and that it was not clear that "removing the beer tie would make tenants better off". It did recognise that this didn't mean that for every tenant the costs equalled the benefits (and therefore in some cases pubcos could do more to redress the imbalance). This perceived imbalance was the subject of a number of recommendations by the TAIC which centred around updating the British Beer and Pub Association's code of practice on which individual pubcos based their codes. The areas that were recommended to be covered were: rent reviews, the role of business development managers, complaint and dispute procedures, disclosure and the availability of information, and the taking of legal and professional advice by prospective tenants. In 2008, the Business and Enterprise Committee (the "BEC") was asked to examine the extent to which the TAIC's recommendations had been implemented and problems solved. It has recently concluded that the problems originally identified in 2004 remain, including an imbalance of bargaining power, opaque arrangements for assessing rents and seemingly no effective independent dispute resolution system. Further, it has stated that it has no confidence that the advantages of the tie outweigh its drawbacks (and that tenants/lessees should be offered free-of-tie leases). As a result, amongst other things, it has called for the situation to be examined by the Department for Business, Enterprise and Regulatory Reform and has recommended that supply ties in the public house industry be referred to the Competition Commission for a market investigation. The BEC's provisional view is that the tie "should be severely limited to ensure proper competition in the retail market is restored". In saying this, it did, however, acknowledge that the position of local brewers operating a small tied estate needs considering as it would "not wish to damage regional brewers". The recommendations made by the BEC must now be considered by Government ministers. At this stage, it is not possible to predict the likely outcome and its effect on the company's tenanted and leased division.

**Directors**

*Names and brief biographical details*
The names and brief biographical details of the current directors are on page 11. Apart from Roger Lambert and David Page (who joined the board on 1 August 2008), all of them were directors throughout the year. Roy Summers was a director until he retired on 15 July 2008. No other person was a director during the year.

*Length of appointments*
Each of the executive directors has been appointed for an indefinite period. His appointment can be terminated by the company (by giving not less than one year's notice) or by the executive (by Stephen Goodyear giving not less than six months' notice, by Torquil Sligo-Young and Peter Whitehead giving not less than six months' notice when 50 or over, otherwise by giving not less than one year's notice, and by Patrick Dardis 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, Nicholas Bryan's on 17 July 2009 and both Roger Lambert's and David Page's on 31 July 2011.

*Re-appointment*
Under the company's articles of association, at every AGM the following automatically retire from office but may offer themselves for re-appointment:

- any director who held office at the time of two preceding AGMs but did not retire at either of them – at this year's AGM, this applies to Christopher Sandland, Torquil Sligo-Young and Peter Whitehead; and
- any director appointed by the board since the last AGM – at this year's AGM, this applies to Roger Lambert and David Page.

Each of these directors is seeking re-appointment and his brief biographical details are on page 11.

*Remuneration*
Details of each director's remuneration appear in note 7(c) on page 33. 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.

*Qualifying indemnity provisions*
The company's articles of association contain an indemnity provision in favour of the directors. This provision, which is a qualifying third party indemnity provision, was in force throughout the year and was in force at the date of this report.

**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; it ended up meeting seven times during the year. 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 with there being frequent meetings of individual and groups of executive directors with one or more of the non-executives. The board regards all four 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 next column.

• Executive committee
The executive committee 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
The audit committee comprises Nicholas Bryan, who chairs it, Roger Lambert and David Page. It assists the board in fulfilling its oversight responsibilities; its primary functions are to monitor the integrity of the group'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 auditor and to review the effectiveness of the audit process. The committee's terms of reference, which set out in full its responsibilities, can be found at www.youngs.co.uk. The committee met four times during the year.

• Remuneration committee
The remuneration committee comprises Nicholas Bryan, who chairs it, Roger Lambert and David Page. Its primary function is to determine, on behalf of the board, the remuneration packages of the company's executive directors. The committee's terms of reference can be found at www.youngs.co.uk; they set out its other responsibilities. The committee met three times during the year.

• Disclosure committee
This comprises the company's executive directors and is chaired by Peter Whitehead, the 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; they set out its other responsibilities.

• Nomination committee
In practice, the chairman and the 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 has been used effectively for more than three years and has led the board to remain of the view 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 provides reasonable, not absolute, assurance against material misstatement or loss.

*Relations with shareholders and investors*
Copies of the annual report and accounts and the interim report are sent to all shareholders and copies are available at 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 secretariat dept. 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 the 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**
Considerable importance is placed on communications with employees and so, within the limitation of commercial confidentiality and security, the company continued to provide them with information concerning trading, development and other appropriate matters. It did this at many levels throughout the business on both a formal and informal level, including through management presentations and its in-house publication. It also consulted regularly with employees 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 managed houses. Throughout the year, the company's integrated appraisal and development process, designed to improve communications and company performance, remained in place, and the company continued to operate a profit-sharing scheme and a bonus scheme, both for eligible employees. 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 became 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.

**Donations**
The company made £1,500 of charitable donations and also supplied £182.36 of goods. No political donations were made.

**Notification of major holdings of voting rights**
As at 26 May 2009, the company had been notified of the following holdings of 3% or more of the voting rights in the company:

| | | | |
|---|---|---|---|
| James Young | 14.50% | Guinness Peat Group plc | 10.23% |
| Thomas Young | 14.31% | RBT II Trustees Limited | 3.70% |
| Torquil Sligo-Young | 13.45% | El Oro and Exploration Company plc | 3.10% |

## Directors' holdings and interests

The interests of the directors who held office at the year-end (and their immediate families) in the share capital of the company are shown in the table below. Interests in options are shown separately in this report, and any accrued entitlement to A shares under the company's profit-sharing scheme is shown separately in note 7(e) on page 34.

| | | As at | A shares | Non-voting shares |
|---|---|---|---|---|
| Christopher Sandland | Beneficial & family | **28 March 2009** | **165,340** | **–** |
| | | 29 March 2008 | 103,496 | – |
| Stephen Goodyear | Beneficial & family | **28 March 2009** | **111,004** | **–** |
| | | 29 March 2008 | 95,240 | – |
| Torquil Sligo-Young | Beneficial & family | **28 March 2009** | **245,741** | **14,000** |
| | | 29 March 2008 | 219,352 | 14,000 |
| | Trustee | **28 March 2009** | **3,742,372** | **111,436** |
| | | 29 March 2008 | 3,742,372 | 111,436 |
| Peter Whitehead | Beneficial & family | **28 March 2009** | **62,984** | **–** |
| | | 29 March 2008 | 62,416 | – |
| Patrick Dardis | Beneficial & family | **28 March 2009** | **22,556** | **–** |
| | | 29 March 2008 | 17,784 | – |
| Roger Lambert | Beneficial & family | **28 March 2009** | **1,000** | **1,000** |
| | | 29 March 2008 | – | – |

At 28 March 2009, each of the directors (other than Nicholas Bryan, Roger Lambert and David Page) had an interest in (i) 802,108 (2008: 1,054,788) A shares held in trust by Ram Brewery Trustees Limited, (ii) 936,720 (2008: 1,075,668) A shares held in trust by RBT II Trustees Limited and (iii) 286,800 (2008: 286,800) A shares held in trust by Torquil Sligo-Young and two other trustees.

## Share options

Below is a summary, as at 28 March 2009, of the directors' interests in options. All of the options were over A shares. No options were granted during the year and none lapsed.

| | At 29 March 2008 | Exercised during the year | At 28 March 2009 | Exercise price (pence) |
|---|---|---|---|---|
| Stephen Goodyear | 65,040 | 65,040 | – | 284.375 |
| Torquil Sligo-Young | 60,000 | 60,000 | – | 146.875 |
| | 56,160 | 56,160 | – | 284.375 |
| Peter Whitehead | 49,520 | 49,520 | – | 284.375 |
| Patrick Dardis | 21,960 | 21,960 | – | 284.375 |
| Total | 252,680 | 252,680 | – | |

Notes:

(a) The gains made on the exercise of options appear in note 7(c) on page 33.

(b) The closing mid market price of an A share on 27 March 2009 was 448.75p and the range during the year was 380.5p to 650p.

### Financial instruments
The company's financial risk management objectives and policies are set out in note 17 on page 44. That note also contains an indication of the company's exposure to certain financial risks.

### 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 28 March 2009, the aggregate amount owing to trade creditors (see note 24 on page 52) was equivalent to 41 days' average purchases from suppliers (2008: 35 days).

### Statement of certain responsibilities in relation to the financial statements and otherwise
For each financial year, the directors are required to prepare an annual report and financial statements. The financial statements must be prepared in accordance with International Financial Reporting Standards ("IFRS") and applicable law and must present fairly the financial position of the company and the group and the financial performance and cash flows of the company and the group for the relevant period. In preparing those statements, the directors must (a) select suitable accounting policies and then apply them consistently, (b) state that the company and the group have complied with IFRS, subject to any material departures disclosed and explained in the financial statements, and (c) present information, including accounting policies, in a manner that provides relevant, reliable and comparable information.

The directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the group and the company at that time and 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 the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Going concern
This report (which includes the chairman's statement on pages 2 and 3 and the chief executive's report on pages 5 to 9) contains a review of the company's business, together with a list of principal risks and uncertainties facing the company. The financial position of the group, its cash flows, liquidity position and borrowing facilities are described within the financial statements. Note 17 on page 44 also summarises the group's capital management and principal treasury objectives and some tools it uses to monitor and manage its exposure to certain financial risks (including credit risk and liquidity and cashflow risk). The group has a freehold-backed balance sheet and committed facilities of £90 million in place, none of which need to be renewed until March 2013. Taking all of these things into account and after making enquiries, the directors believe that the group is well placed to manage its business risks successfully despite the current uncertain economic outlook and they have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

### Disclosure of information to auditors
Each of Christopher Sandland, Stephen Goodyear, Torquil Sligo-Young, Peter Whitehead, Patrick Dardis, Nicholas Bryan, Roger Lambert and David Page, being the persons who were directors at the time when this report was approved, has confirmed that, so far as he was aware, there was no information needed by the company's auditor in connection with preparing its report of which the company's auditor was unaware. Each of those individuals has also confirmed that he took all the steps that he ought to have taken as a director to make himself aware of any such information and to establish that the company's auditor was aware of it. This paragraph is to be interpreted in accordance with section 234ZA of the Companies Act 1985.

### Annual general meeting
Notice convening the AGM and an explanation of the resolutions being proposed are set out on pages 59 to 64.

### Preparation and disclaimer
This annual report (including the financial statements in it for the year ended 28 March 2009) has 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
27 May 2009

# 2009 Independent auditors' report to the members of Young & Co.'s Brewery, P.L.C.

We have audited the group and parent company financial statements (the "financial statements") of Young and Co.'s Brewery, P.L.C. for the year ended 28 March 2009 which comprise the Group Income Statement, the Group and Company Balance Sheets, the Group and Company Cash Flow Statements, the Group and Company Statements of Recognised Income and Expense, and the related notes 1 to 32. 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 auditor's 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of certain responsibilities in relation to the financial statements and otherwise.

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 whether the financial statements and the part of the Directors' Remuneration Report to be audited have been 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 that specific information presented in the Chairman's Statement and Chief Executive's Report that is cross referred from the Business Review section of the directors' 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 are not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the financial highlights, the Chairman's statement, the Chief executive's report, the board of directors, the Directors' report, the Five year review, the Senior personnel, committees and advisors 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 judgments 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 group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 28 March 2009 and of its profit for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 28 March 2009;
- 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
27 May 2009

2009

## Group income statement

For the 52 weeks ended 28 March 2009

| | Notes | 2009 £000 | Restated 2008 £000 |
|---|---|---|---|
| **Continuing operations** | | | |
| **Revenue** | 5 | **126,091** | 122,124 |
| Operating costs before exceptional items | 6 | **(105,545)** | (101,266) |
| Operating profit before exceptional items | | **20,546** | 20,858 |
| Operating exceptional items | *8* | **(10,519)** | 728 |
| **Operating profit** | | **10,027** | 21,586 |
| Share of associate's profit before exceptional items and tax | | **1,892** | 1,718 |
| Share of associate's operating exceptional items | *8* | **(3,740)** | (3,832) |
| Share of associate's tax expense | | **(685)** | 792 |
| Share of associate's post tax result | | **(2,533)** | (1,322) |
| **Profit before interest** | | **7,494** | 20,264 |
| Finance costs | *9* | **(3,788)** | (5,820) |
| Finance revenue | *10* | **222** | 563 |
| Premium paid on redemption of debenture | *23* | **–** | (6,817) |
| Discount of site proceeds | | **–** | 2,161 |
| Other finance income | *19* | **285** | 1,269 |
| **Profit before tax** | | **4,213** | 11,620 |
| Taxation | *11* | **(2,988)** | (4,023) |
| **Profit from continuing operations** | | **1,225** | 7,597 |
| **Profit from discontinued operation** | *3* | **849** | 3,105 |
| **Profit for the year** | | **2,074** | 10,702 |

| | | Pence | Pence |
|---|---|---|---|
| **Earnings per 12.5p ordinary share from continuing operations** | *14* | | |
| Basic | | **2.55** | 16.04 |
| Diluted | | **2.55** | 15.98 |
| Adjusted basic | | **27.77** | 26.28 |
| Adjusted diluted | | **27.77** | 26.19 |
| **Earnings per 12.5p ordinary share from continuing and discontinued operations** | *14* | | |
| Basic | | **4.33** | 22.59 |
| Diluted | | **4.33** | 22.52 |

The comparative figures have been restated as detailed in note 11(f).

No separate income statement is presented for the company, as permitted by section 230(3) of the Companies Act 1985. The company's profit after tax for the year was £4,697,000 (2008: restated profit £10,989,000).

*The notes on pages 24 to 57 form part of these financial statements.*
*The independent auditors' report is set out on page 19.*

## Balance sheets

At 28 March 2009

| | Notes | Group 2009 £000 | Group Restated 2008 £000 | Company 2009 £000 | Company Restated 2008 £000 |
|---|---|---|---|---|---|
| **Non current assets** | | | | | |
| Property, plant and equipment | *15* | **256,908** | 251,284 | **256,908** | 251,284 |
| Prepaid operating lease premiums | | **5,916** | 5,996 | **5,916** | 5,996 |
| Investment in subsidiaries | *16* | **–** | – | **20** | 20 |
| Investment in associate | *16* | **16,604** | 19,751 | **11,303** | 11,303 |
| Other financial asset | | **600** | 600 | **600** | 600 |
| Retirement benefit scheme | *19* | **5,359** | 6,627 | **5,359** | 6,627 |
| | | **285,387** | 284,258 | **280,106** | 275,830 |
| **Current assets** | | | | | |
| Prepaid operating lease premiums | | **86** | 92 | **86** | 92 |
| Inventories | *20* | **1,702** | 1,511 | **1,785** | 1,576 |
| Trade and other receivables | *21* | **4,742** | 4,796 | **4,742** | 4,796 |
| Income tax receivable | | **–** | 2,498 | **–** | 2,498 |
| Cash | | **1,519** | 349 | **1,519** | 349 |
| | | **8,049** | 9,246 | **8,132** | 9,311 |
| **Non-current assets classified as held for sale** | *22* | **797** | 1,215 | **797** | 1,215 |
| **Total assets** | | **294,233** | 294,719 | **289,035** | 286,356 |
| **Current liabilities** | | | | | |
| Borrowings | *23* | **(2)** | (1) | **(2)** | (1) |
| Trade and other payables | *24* | **(18,798)** | (30,542) | **(21,297)** | (32,527) |
| Income tax payable | | **(1,705)** | – | **(1,705)** | – |
| | | **(20,505)** | (30,543) | **(23,004)** | (32,528) |
| **Non current liabilities** | | | | | |
| Borrowings | *23* | **(66,819)** | (50,315) | **(66,819)** | (50,315) |
| Derivative financial instruments | *17* | **(4,798)** | (511) | **(4,798)** | (511) |
| Deferred tax | *18* | **(20,788)** | (25,364) | **(18,468)** | (23,044) |
| Retirement benefit schemes | *19* | **(17,112)** | (11,715) | **(17,112)** | (11,715) |
| | | **(109,517)** | (87,905) | **(107,197)** | (85,585) |
| **Total liabilities** | | **(130,022)** | (118,448) | **(130,201)** | (118,113) |
| **Net assets** | | **164,211** | 176,271 | **158,834** | 168,243 |
| **Capital and reserves** | | | | | |
| Share capital | *25* | **6,028** | 6,028 | **6,028** | 6,028 |
| Share premium | *26* | **1,274** | 1,274 | **1,274** | 1,274 |
| Other reserves | *26* | **(1,509)** | 1,578 | **(1,509)** | 1,578 |
| Investment in own shares | *26* | **(38)** | (139) | **–** | – |
| Retained earnings | *26* | **158,456** | 167,530 | **153,041** | 159,363 |
| **Total equity** | | **164,211** | 176,271 | **158,834** | 168,243 |

The comparative figures have been restated as detailed in notes 11(f) and 19.

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

**Christopher Sandland** Chairman
**Peter Whitehead** Finance director
27 May 2009

*The notes on pages 24 to 57 form part of these financial statements.*
*The independent auditors' report is set out on page 19.*

## Cash flow statements

For the 52 weeks ended 28 March 2009

| | Notes | Group 2009 £000 | Group 2008 £000 | Company 2009 £000 | Company 2008 £000 |
|---|---|---|---|---|---|
| **Operating activities** | | | | | |
| Cash generated from operations | *27* | **26,438** | 26,628 | **27,074** | 28,466 |
| Exceptional VAT on disposal of sites | | **(10,281)** | 10,281 | **(10,281)** | 10,281 |
| Interest received | | **222** | 1,026 | **222** | 1,026 |
| Tax rebates received | | **244** | – | **244** | – |
| **Net cash flow from operating activities** | | **16,623** | 37,935 | **17,259** | 39,773 |
| **Investing activities** | | | | | |
| Sale of brewery and Buckhold Road sites | | **–** | 69,000 | **–** | 69,000 |
| Sales of other property, plant and equipment | | **1,391** | 3,750 | **1,391** | 3,750 |
| Purchases of property, plant and equipment | *15* | **(24,487)** | (37,734) | **(24,487)** | (37,734) |
| Prepayments of operating lease premiums | | **–** | (321) | **–** | (321) |
| Restructuring costs | | **–** | (4,998) | **–** | (4,998) |
| **Net cash (used in)/generated from investing activities** | | **(23,096)** | 29,697 | **(23,096)** | 29,697 |
| **Financing activities** | | | | | |
| Interest paid | | **(3,431)** | (5,992) | **(3,431)** | (5,992) |
| Premium paid on redemption of debenture | | **–** | (6,817) | **–** | (6,817) |
| Equity dividends paid | *12* | **(6,062)** | (5,147) | **(6,062)** | (5,147) |
| Proceeds from exercise of share options in the employee benefit trust | *29* | **636** | 1,838 | **–** | – |
| Increase/(decrease) in borrowings | | **16,500** | (52,158) | **16,500** | (52,158) |
| Repayment of finance leases | | **–** | (6) | **–** | (6) |
| **Net cash generated from/(used in) financing activities** | | **7,643** | (68,282) | **7,007** | (70,120) |
| Increase/(decrease) in cash | | **1,170** | (650) | **1,170** | (650) |
| Cash at the beginning of the year | | **349** | 999 | **349** | 999 |
| **Cash at the end of the year** | | **1,519** | 349 | **1,519** | 349 |

## Analysis of net debt

At 28 March 2009

| | Notes | Group 2009 £000 | Group 2008 £000 | Company 2009 £000 | Company 2008 £000 |
|---|---|---|---|---|---|
| Cash | | **1,519** | 349 | **1,519** | 349 |
| Loan capital and finance leases | *23* | **(66,821)** | (50,316) | **(66,821)** | (50,316) |
| **Net debt** | | **(65,302)** | (49,967) | **(65,302)** | (49,967) |

*The notes on pages 24 to 57 form part of these financial statements.*
*The independent auditors' report is set out on page 19.*

## Statements of recognised income and expense

For the 52 weeks ended 28 March 2009

| | Notes | Group 2009 £000 | Group 2008 £000 | Company 2009 £000 | Company 2008 £000 |
|---|---|---|---|---|---|
| **Income/(expense) recognised directly in equity** | | | | | |
| Actuarial loss on retirement benefit schemes | *19* | **(6,817)** | (8,728) | **(6,817)** | (8,728) |
| Hedging reserve fair value movement of interest rate swap | *17* | **(4,287)** | (690) | **(4,287)** | (690) |
| Associate's actuarial loss (net of deferred tax) on retirement benefit schemes* | | **(685)** | (627) | **–** | – |
| Tax on items recognised directly in equity | *11* | **3,060** | 3,005 | **3,060** | 3,005 |
| | | **(8,729)** | (7,040) | **(8,044)** | (6,413) |
| **Profit for the period**** | | **2,074** | 10,702 | **4,697** | 10,989 |
| **Total recognised income and expense for the period** | | **(6,655)** | 3,662 | **(3,347)** | 4,576 |

*The £685,000 current period actuarial loss includes an amount of £1,267,000 which adjusts an immaterial prior period item.

**The profit for the comparative period has been restated as detailed in the group income statement.

# Notes to the financial statements

For the 52 weeks ended 28 March 2009

## 1. Authorisation of financial statements and statement of compliance with IFRS

The group and parent company financial statements of Young & Co.'s Brewery, P.L.C. for the 52 weeks ended 28 March 2009 were authorised for issue by the board of directors on 27 May 2009. Young & Co.'s Brewery, P.L.C. is a public limited company incorporated and domiciled in England and Wales. The company's shares are listed on the Alternative Investment Market of the London Stock Exchange.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted for use in the European Union.

## 2. Accounting policies

### (a) Basis of preparation

The group and company financial statements have been prepared using the following accounting policies.

The financial statements are presented in pounds sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

### (b) Basis of consolidation

The group financial statements consolidate the financial statements of Young & Co.'s Brewery, P.L.C. with the entities it controls, being subsidiaries and its special purpose entity, drawn up to the year end. The special purpose entity is an ESOP Trust. The financial statements of the subsidiaries and special purpose entity are consolidated on a comparable period basis, using consistent accounting policies. All inter-company balances and transactions, including unrealised profits arising on them, are eliminated.

The group financial statements also include the financial information of Wells & Young's Brewing Company Ltd., the associate of Young & Co.'s Brewery, P.L.C., accounted for using the equity method of accounting. Wells & Young's prepare their accounts to a September year end, but are consolidated on a comparable period basis.

### (c) Interest in associate

The group's interest in its associate, being an entity over which the group has significant influence, is accounted for using the equity method of accounting.

Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post-acquisition changes in the group's share of net assets of the associate, less distributions received and less any impairment in value of individual investments. The group income statement reflects the share of the associate's results after tax. The group statement of recognised income and expense reflects the group's share of any income or expense recognised by the associate outside the income statement.

The investment in associate is subject to a review if circumstances or events change to indicate that the carrying value is impaired.

### (d) The parent company's investments in subsidiaries and associate

In its separate financial statements, the parent company recognises its investments in its subsidiaries and associate at cost. Income is recognised from these investments only in relation to distributions received from post-acquisition profits.

### (e) Property, plant and equipment

Property, plant and equipment are measured at cost on recognition, and are stated as such less any accumulated depreciation and accumulated impairment losses.

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. The residual value, useful life and depreciation method applied to each asset are reviewed annually.

Freehold and leasehold property acquired before 1997 was measured at its 1997 valuation and depreciated up to the point of adoption of IFRS in 2007. Under IFRS the depreciated valuation figure became the deemed cost.

The cost of the asset, less any residual value, is depreciated on a straight line basis over the asset's useful life. Land is not depreciated.

Useful lives:

| | |
|---|---|
| Freehold buildings | 50 years |
| Leasehold buildings | 50 years, or the lease term if shorter |
| Fixtures, fittings & equipment | 3-10 years |

The gain or loss on disposal of an asset is included in the income statement. Pub fixtures and fittings are treated as disposals in the year following completion of their writedown.

### (f) Premiums on operating leases

Premiums on operating leases are amortised over the lease term and are stated at cost less amortisation and any additional provision for impairment which may be required.

### (g) Leases

#### (i) Where the group is the lessee

Assets held under finance leases, which transfer to the group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease, with a corresponding liability being recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments.

Lease payments are apportioned between the reduction of the lease liability and finance charges in the income statement so as to achieve a constant rate of interest on the remaining balance of the liability.

Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term. Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the income statement on a straight line basis over the lease term.

#### (ii) Where the group is the lessor

Assets leased out under operating leases are included in property, plant and equipment and depreciated over their estimated useful lives. Rental income, including the effect of lease incentives, is recognised on a straight line basis over the lease term.

### (h) Assets held for sale and discontinued operations
Assets whose carrying amounts will be recovered principally by sale rather than continuing use are classified separately as assets held for sale. Assets are classified as held for sale when management has committed to their sale, the asset is available for immediate sale and a sale is highly probable. Assets held for sale are measured at the lower of their carrying amount and the fair value less costs to sell.

A discontinued operation is a part of the group's business that represents a separate line of business. Under IFRS 5 (Non current assets held for sale), classification as a discontinued operation occurs upon disposal or earlier, if the operation meets the criteria to be classified as held for sale.

### (i) Inventories
Inventories are valued at the lower of cost and net realisable value. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost formula used is equivalent to a 'First in, First out' method.

### (j) Trade and other receivables
Trade receivables are recognised and carried at the lower of their original invoice value and recoverable amount. A provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as irrecoverable.

The receivable from the disposal of the brewery site was discounted back to net present value as the amount at the time of the transaction was receivable in more than 12 months. The discount was charged directly to the income statement at the transaction date, and was then written back on a reducing balance basis over the life of the receivable.

### (k) Cash
Cash in the balance sheet comprises cash at banks and in hand. For the purpose of the consolidated cash flow statement, cash is net of outstanding bank overdrafts. Cash and cash equivalents include only deposits which mature in less than three months.

### (l) Impairment of assets
An impairment review is carried out if events indicate that the carrying value of an asset may not be recoverable. If during the course of this review it is deemed that the carrying values exceed the estimated value in use, the assets are written down to their recoverable amounts. An asset's recoverable amount is the greater of the fair value less costs to sell, and the value in use.

Value in use is assessed by reference to the estimated future cash flows, which are discounted to present value using an appropriate pre-tax discount rate. Impairment losses, and any reversal of such losses, are recognised in the income statement.

For property assets, impairment was assessed on the basis of each individual pub. The fair value of the asset was assumed to be the market value of the property. This was determined by applying a prudent downgrade to a valuation of our estate conducted in November 2006, and using this as a proxy for the current market value, less costs to sell the asset.

### (m) Trade and other payables
Trade and other payables are carried at cost. When applicable, trade and other payables are analysed between current and non-current liabilities on the face of the balance sheet, depending on when the obligation to settle will be crystallised. Non-current liabilities are carried at amortised cost.

### (n) Interest bearing loans and borrowings
All loans and borrowings are initially recognised at fair value. Directly attributable transaction costs are capitalised and amortised using the effective interest method through finance expense, over the life of the facility.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

### (o) Debenture issue premiums and costs
The debenture stock was redeemed in the prior year. In the period before the redemption, the policy was to allocate debenture premiums to accounting years over the term of the debt at a constant rate on the carrying amount. Debenture issue costs, which were set against the proceeds of the debenture, were amortised over its life. A corresponding transfer was then made from the profit and loss account to the share premium account in each year. On redemption, all such costs were written off to the income statement.

### (p) Income taxes
Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts, with the following exceptions:

- in respect of taxable temporary differences associated with investments in subsidiaries or associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Where capital gains have been rolled over for tax purposes, a deferred tax liability is recorded on the rolled over gain to reflect that tax may be due on this amount at a future date.

A deferred tax liability is recorded based on the difference between the indexed cost of the asset and prior year revaluations that were recognised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise, income tax is recognised in the income statement.

### (q) Provisions
A provision is recognised when the group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect is material, expected future cash flows are discounted using a pre-tax rate that reflects, where appropriate, the risks specific to the liability.

### (r) Exceptional items
The group presents as exceptional items on the face of the income statement, those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior year and to assess better trends in financial performance. Exceptional items are classified as operating exceptional items if they relate to the general operations of the group, such as profit or losses connected to the disposal of properties. Exceptional items are classified as non-operating exceptional items if they are outside the normal operations of the group, such as costs associated with the restructuring of the group.

### (s) Accounting for ESOP Trusts
In accordance with SIC-12 Consolidation – Special Purpose Entities, an ESOP Trust should be consolidated when the substance of the relationship indicates that it is controlled by that entity. The Ram Brewery Trust is a Special Purpose Entity (SPE) which is indirectly controlled by the company. Investments in own shares which comprise the unallocated shares of the Ram Brewery Trust are treated as a deduction from capital and reserves. Allocations of shares to employees under the profit sharing scheme and exercise of share options are treated as disposals.

Investment in own shares is held at cost and shown as a deduction from capital and reserves in the group balance sheet.

The capital gains tax liability that may arise on the allocated shares in the Ram Brewery Trust II when they are transferred to employees on retirement is recognised as a provision in the financial statements.

### (t) Derivative financial instruments and hedging
The group uses derivative financial instruments such as interest rate swaps to hedge its risk associated with interest rate fluctuations. From 1 April 2006, derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For those derivatives designated as hedges and for which hedge accounting is desired, the hedging relationship is documented at its inception. This documentation identifies the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective.

Interest rate swaps are classified as cash flow hedges. For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in profit or loss.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs and are transferred to the income statement or to the initial carrying amount of a non-financial asset or liability as above. If the related transaction is not expected to occur, the amount is taken to profit or loss.

### (u) Pensions and other post-retirement benefits
The group operates a defined contribution pension scheme, three defined benefit pension schemes and a post retirement health care scheme.

Contributions to the defined contribution scheme are recognised in the income statement in the year in which they become due.

For the defined benefit schemes, the cost of providing benefits is determined separately for each plan using the projected unit credit method, which attributes entitlements to benefits to the current year (to determine current service cost) and to the current and prior years (to determine the present value of defined benefit obligations) and is based on actuarial advice. Past service costs are recognised in the income statement on a straight line basis over the vesting period or immediately if the benefits have vested. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in the future entitlement) occurs, the obligation and related plan assets are remeasured using current actuarial assumptions and the resultant gain or loss is recognised in the income statement during the year in which the settlement or curtailment occurs.

The interest element of the defined benefit cost represents the change in present value of scheme obligations resulting from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligations, taking into account material changes in the obligations during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The difference between the expected return on plan assets and the interest cost is recognised in the income statement as other finance income or expense.

Actuarial gains and losses are recognised in full in the statement of recognised income and expense in the year in which they occur.

The defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligations (using a discount rate based on high quality corporate bonds), less any past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is restricted to the sum of any unrecognised past service costs and the present value of any amount the group expects to recover by way of refunds from the plan or reductions in the future contributions.

Post-retirement health care benefits are provided for certain employees and certain directors (together, the “members”). Entry to the scheme is on a discretionary basis. The annual premium for providing cover is determined by BUPA. This information is taken by qualified actuaries who then assess the reserve required to provide this benefit for members’ future lifetimes, using IAS19 assumptions. The liability for new entrants is recognised through the income statement in the year in which the benefit is granted. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are recognised in full directly in equity and in the statement of recognised income and expense.

### (v) Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured.

Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes. The following criteria must also be met before revenue is recognised:

*Sale of goods*
Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

*Rental income*
Rental income arising from operating leases on properties is accounted for on a straight line basis over the lease term.

*Interest income*
Revenue is recognised as interest accrues (using the effective interest method).

*Dividends*
Revenue is recognised when the company’s right to receive payment is established.

### (w) Finance costs and revenue
Finance costs and revenue are calculated using the effective interest method. In the prior years the receivable from the disposal of the brewery site was discounted and written back as explained under paragraph (j) above.

### (x) Share based payment
The group operated an equity settled, share based compensation plan in prior years. This comprised share options with non-market performance conditions attached. An expense was recognised in prior years 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 was made to the share based payment reserve in equity. The charge was based on the fair value of the share options as at the date of grant, as calculated using the Black Scholes Merton formula.

### (y) New Standards and Interpretations not applied
The IASB and IFRIC have issued the following standards and interpretations with an effective date after these financial statements.

| **International Accounting Standards (IAS/IFRSs)** | | **Effective date** |
|---|---|---|
| IFRS 1 and IAS 27 | Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (Amendment) | 1 January 2009 |
| IFRS 2 | IFRS 2 – Vesting Conditions and Cancellations (Amendment) | 1 January 2009 |
| IFRS 3 | Business Combinations (Revised January 2008) | 1 July 2009 |
| IFRS 7 | Financial instruments: Disclosures (Amendment) | 1 January 2009 |
| IFRS 8 | Operating Segments | 1 January 2009 |
| IAS 1 | Presentation of Financial Statements (Revised September 2007) | 1 January 2009 |
| IAS 23 | Borrowing Costs (Revised March 2007) | 1 January 2009 |

| | | |
|---|---|---|
| IAS 27 | Consolidated and Separate Financial Statements (Amendment) | 1 July 2009 |
| IAS 32 and IAS 1 | Puttable Financial Instruments and Obligations Arising on Liquidation (Amendment) | 1 January 2009 |
| IAS 39 | Eligible Hedged Items (Amendment) | 1 July 2009 |
| Annual Improvements | Improvements to IFRSs (Issued in May 2008 and April 2009) | Various effective dates |
| **International Financial Reporting Interpretations Committee (IFRIC)** | | |
| IFRIC 13 | Customer Loyalty Programmes | 1 July 2008 |
| IFRIC 14 | IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction | 1 January 2008 |
| IFRIC 15 | Agreements for the Construction of Real Estate | 1 January 2009 |
| IFRIC 16 | Hedges of a Net Investment in a Foreign Operation | 1 October 2008 |
| IFRIC 17 | Distributions of Non-Cash Assets to Owners | 1 July 2009 |
| IFRIC 18 | Transfers of Assets from Customers | 1 July 2009 |
| IFRIC 9 and IAS 39 | Embedded Derivatives (Amendment) | Periods ending on or after 30 June 2009 |

(i) These standards and interpretations have not been early adopted by the group.

(ii) The directors do not anticipate that their adoption will have a material impact on the group's results or assets and liabilities in the year of initial application.

(iii) The following standards are expected to be relevant to the group:

- IFRS 8 replaces IAS 14 (Segment Reporting) and will require segment information to be presented on the same basis as for internal reporting.
- The revision to IAS 1 will require the group to decide whether to rename the primary statements and how to present the new statement of comprehensive income.
- The revision to IAS 23 requires capitalisation of borrowing costs in certain limited circumstances.
- IFRIC 14 provides general guidance on how to assess the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how minimum funding requirements impact this limit and when they might give rise to a liability. IFRIC 14 will be adopted by the group in the year ending 31 March 2010, under the special transitional rules of the European Union.

### (z) Significant estimates and judgements

The impairment and depreciation of property, plant and equipment, the measurement of defined benefit pension obligations, the estimate of prior year share based payments costs and the provision for taxation have all required significant estimates and assumptions. These estimates and judgements have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

The group is required to review property, plant and equipment for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is determined based on value in use calculations prepared on the basis of management's assumptions and estimates. See paragraph (l) above and note 15 (Property, plant and equipment).

Depreciation is provided so as to write down the assets to their residual values over the estimated useful lives. The selection of these residual values and estimated lives requires the exercise of management judgement. See paragraph (e) above and note 15 (Property, plant and equipment).

Measurement of defined benefit pension obligations requires an estimate of future changes in salaries and inflation, as well as mortality rates, the expected return on assets and the selection of a suitable discount rate. These have been determined on advice from the group's qualified actuary. See paragraph (u) above and note 19 (Retirement benefit schemes).

The estimate of share based payments costs requires the selection of an appropriate valuation model, consideration as to the inputs necessary for the valuation model chosen and the estimate of the number of awards that will ultimately vest, inputs which arise from judgements relating to the probability of meeting non-market performance conditions and the continuing participation of employees. See paragraph (x) above and note 29 (Share-based payments).

Judgement is required when determining the provision for taxes as the tax treatment of some transactions cannot be finally determined until a formal resolution has been reached with the tax authorities. Tax benefits are not recognised unless it is probable that the benefit will be obtained. Tax provisions are made if it is possible that a liability will arise. The group reviews each significant tax liability or benefit to assess the appropriate accounting treatment. See paragraph (p) above and notes 11 (Taxation) and 18 (Deferred tax).

### (aa) Non-GAAP performance measures

The directors believe that the 'adjusted' profit before tax and earnings per share measures provide additional useful information for shareholders on the underlying performance of the business. These measures are consistent with how business performance is measured internally and how the group previously reported under UK GAAP. The adjusted profit before tax measure is not a recognised profit measure under IFRS and may not be directly comparable with 'adjusted' profit measures used by other companies.

*Adjusted profit before tax*
Adjusted profit before tax is profit on continuing operations only, adjusted to exclude:
– exceptional items for both parent and associate; and
– other non-recurring items for the parent, namely the premium paid on redemption of debenture and the discount of site proceeds.

*Adjusted earnings per share*
Adjusted earnings per share is adjusted profit after tax divided by the weighted average number of ordinary shares in issue. Adjusted profit after tax is profit on continuing operations only, adjusted to exclude:
– exceptional items for both parent and associate;
– other non-recurring items for the parent, namely the premium paid on redemption of debenture and the discount of site proceeds; and
– in the case of after-tax amounts, the tax adjustment on phasing out of industrial buildings allowances for both parent and associate.

The following non-GAAP performance measures are also used:

*Operating profit*
Operating profit is the profit from the general business of the group, before income and expenditure relating to taxation or investing and financing activities.

*Exceptional items*
This policy is described in section (r) above.

## 3. Discontinued operation

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

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

| | **2009 £000** | 2008 £000 |
|---|---|---|
| **Profit/(loss) before tax** | | |
| Non-operating exceptional items–restructuring costs written back/(charged) | **304** | (579) |
| Tax credit | **545** | 3,684 |
| **Profit from discontinued operation** | **849** | 3,105 |

| | | |
|---|---|---|
| The total disposal consideration, all in cash, was | **–** | 69,000 |

## 4. Segmental reporting

The primary segment reporting format is determined to be business segments. The group operates two separate business segments, the managed and tenanted estate, which are organised and managed separately.

The direct trading activities of the group are solely in the United Kingdom, and therefore it is not considered appropriate to report on a geographical basis.

**2009**

| | Continuing operations | | | | Discontinued | |
|---|---|---|---|---|---|---|
| | Managed estate | Tenanted estate | Unallocated | Total | operation | Total |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| **Income statement** | | | | | | |
| **Segment revenue** | 111,415 | 14,329 | 347 | 126,091 | – | 126,091 |
| Operating profit before exceptional items | 25,939 | 5,815 | (11,208) | 20,546 | – | 20,546 |
| Share of associate's profit before exceptional items and tax | – | – | 1,892 | 1,892 | – | 1,892 |
| **Segment operating profit** | 25,939 | 5,815 | (9,316) | 22,438 | – | 22,438 |
| Finance costs | – | – | (3,788) | (3,788) | – | (3,788) |
| Finance revenue | – | – | 222 | 222 | – | 222 |
| Other finance income | – | – | 285 | 285 | – | 285 |
| Exceptional items | (9,794) | (635) | (90) | (10,519) | 304 | (10,215) |
| Share of associate's exceptional items | – | – | (3,740) | (3,740) | – | (3,740) |
| Premium paid on redemption of debenture | – | – | – | – | – | – |
| Discount of site proceeds | – | – | – | – | – | – |
| Taxation | – | – | (2,988) | (2,988) | 545 | (2,443) |
| Share of associate's tax | – | – | (685) | (685) | – | (685) |
| **Segment result** | 16,145 | 5,180 | (20,100) | 1,225 | 849 | 2,074 |
| **Balance Sheet** | | | | | | |
| **Segment assets** | 216,589 | 51,359 | 2,203 | 270,151 | – | 270,151 |
| Investment in associate | – | – | 16,604 | 16,604 | – | 16,604 |
| Other financial asset | – | – | 600 | 600 | – | 600 |
| Retirement benefit scheme | – | – | 5,359 | 5,359 | – | 5,359 |
| Income tax receivable | – | – | – | – | – | – |
| Cash | – | – | 1,519 | 1,519 | – | 1,519 |
| **Total assets** | 216,589 | 51,359 | 26,285 | 294,233 | – | 294,233 |
| **Segment liabilities** | (14,197) | (1,151) | (3,450) | (18,798) | – | (18,798) |
| Borrowings | – | – | (66,821) | (66,821) | – | (66,821) |
| Income tax payable | – | – | (1,705) | (1,705) | | (1,705) |
| Derivative financial instruments | – | – | (4,798) | (4,798) | – | (4,798) |
| Deferred tax | – | – | (20,788) | (20,788) | – | (20,788) |
| Retirement benefit schemes | – | – | (17,112) | (17,112) | – | (17,112) |
| **Total liabilities** | (14,197) | (1,151) | (114,674) | (130,022) | – | (130,022) |
| **Net assets** | 202,392 | 50,208 | (88,389) | 164,211 | – | 164,211 |
| **Other segmental information** | | | | | | |
| Depreciation and amortisation of segment assets | (6,605) | (1,174) | (326) | (8,105) | – | (8,105) |
| Profit/(loss) on sales of properties | – | 925 | – | 925 | – | 925 |
| Impairment of properties | (9,111) | (1,560) | – | (10,671) | – | (10,671) |
| Capital expenditure | 22,035 | 1,986 | 466 | 24,487 | – | 24,487 |

The unallocated segment result primarily represents the corporate service costs of the group.

**2008**

| | Continuing operations | | | | Discontinued | |
|---|---|---|---|---|---|---|
| | Managed estate £000 | Tenanted estate £000 | Unallocated £000 | Total £000 | operation £000 | Total £000 |
| **Income statement (as restated)** | | | | | | |
| **Segment revenue** | 106,630 | 14,818 | 676 | 122,124 | – | 122,124 |
| Operating profit before exceptional items | 26,846 | 5,975 | (11,963) | 20,858 | – | 20,858 |
| Share of associate's profit before exceptional items and tax | – | – | 1,718 | 1,718 | – | 1,718 |
| **Segment operating profit** | 26,846 | 5,975 | (10,245) | 22,576 | – | 22,576 |
| Finance costs | – | – | (5,820) | (5,820) | – | (5,820) |
| Finance revenue | – | – | 563 | 563 | – | 563 |
| Other finance income | – | – | 1,269 | 1,269 | – | 1,269 |
| Exceptional items | (525) | 442 | 811 | 728 | (579) | 149 |
| Share of associate's exceptional items | – | – | (3,832) | (3,832) | – | (3,832) |
| Premium paid on redemption of debenture | – | – | (6,817) | (6,817) | – | (6,817) |
| Discount of site proceeds | – | – | 2,161 | 2,161 | – | 2,161 |
| Taxation | – | – | (4,023) | (4,023) | 3,684 | (339) |
| Share of associate's tax | – | – | 792 | 792 | – | 792 |
| **Segment result** | 26,321 | 6,417 | (25,141) | 7,597 | 3,105 | 10,702 |
| **Balance Sheet (as restated)** | | | | | | |
| **Segment assets** | 211,280 | 51,512 | 2,102 | 264,894 | – | 264,894 |
| Investment in associate | – | – | 19,751 | 19,751 | – | 19,751 |
| Other financial asset | – | – | 600 | 600 | – | 600 |
| Retirement benefit scheme | – | – | 6,627 | 6,627 | – | 6,627 |
| Income tax receivable | – | – | 2,498 | 2,498 | – | 2,498 |
| Cash | – | – | 349 | 349 | – | 349 |
| **Total assets** | 211,280 | 51,512 | 31,927 | 294,719 | – | 294,719 |
| **Segment liabilities** | (10,345) | (1,244) | (18,953) | (30,542) | – | (30,542) |
| Borrowings | – | – | (50,316) | (50,316) | – | (50,316) |
| Income tax payable | – | – | – | – | – | – |
| Derivative financial instruments | – | – | (511) | (511) | – | (511) |
| Deferred tax | – | – | (25,364) | (25,364) | – | (25,364) |
| Retirement benefit schemes | – | – | (11,715) | (11,715) | – | (11,715) |
| **Total liabilities** | (10,345) | (1,244) | (106,859) | (118,448) | – | (118,448) |
| **Net assets** | 200,935 | 50,268 | (74,932) | 176,271 | – | 176,271 |
| **Other segmental information** | | | | | | |
| Depreciation and amortisation of segment assets | (5,780) | (1,049) | (291) | (7,120) | – | (7,120) |
| Profit/(loss) on sales of properties | (89) | 1,384 | – | 1,295 | – | 1,295 |
| Impairment of properties | (436) | (942) | – | (1,378) | – | (1,378) |
| Capital expenditure | 36,070 | 1,875 | 110 | 38,055 | – | 38,055 |

The unallocated segment result primarily represents the corporate service costs of the group.

## 5. Revenue

| | **2009 £000** | 2008 £000 |
|---|---|---|
| Sale of goods | **116,544** | 112,020 |
| Rental income | **9,547** | 10,104 |
| Revenue | **126,091** | 122,124 |
| Finance revenue | **222** | 563 |
| **Total revenue** | **126,313** | 122,687 |

Sale of goods comprises sales, excluding discounts, rebates, VAT and other sales taxes. Revenue shown above is all continuing.

## 6. Operating costs before exceptional items

| | **2009 £000** | 2008 £000 |
|---|---|---|
| Changes in inventories of finished goods and work in progress | **(191)** | (80) |
| Raw materials, consumables and finished goods used | **35,089** | 33,740 |
| Employment costs *(note 7)* | **37,238** | 36,075 |
| Depreciation | **8,105** | 7,120 |
| Other operating costs | **25,304** | 24,411 |
| **Total operating costs** | **105,545** | 101,266 |

Other operating costs include:

| | | **2009** | 2008 |
|---|---|---|---|
| Operating lease rentals: | minimum lease payments | **2,581** | 2,581 |
| | contingent rents | **–** | – |
| | sublease payments | **347** | 344 |
| | | **2,928** | 2,925 |
| Auditors' remuneration to main group auditors: | audit services of the group financial statements | **162** | 135 |
| | taxation services | **79** | 97 |
| | all other services | **102** | 66 |
| | | **343** | 298 |
| Auditors' remuneration to other auditors: | other audit services | **6** | 6 |
| | taxation services | **20** | 29 |
| | | **26** | 35 |

## 7. Employment

### (a) Costs

| | 2009 £000 | 2008 £000 |
|---|---|---|
| Wages and salaries | **32,972** | 31,885 |
| Profit-sharing scheme | **237** | 224 |
| Social security | **2,902** | 2,712 |
| Pension and healthcare schemes | **1,127** | 1,254 |
| Employment costs in continuing operations | **37,238** | 36,075 |
| Employment costs in exceptional items: Capital gains tax on ESOP allocated shares | **90** | (741) |
| **Total employment costs** | **37,328** | 35,334 |

### (b) Average number of employees

| | 2009 | 2008 |
|---|---|---|
| Full time | **1,656** | 1,885 |
| Part time | **428** | 376 |
| | **2,084** | 2,261 |

### (c) Directors' emoluments

| | Basic salary and fees £ | Profit sharing £ | Benefits £ | Bonus £ | Total excluding pension costs and gains made on exercise of share options 2009 £ | Total excluding pension costs and gains made on exercise of share options 2008 £ | Gains made on exercise of share options £ |
|---|---|---|---|---|---|---|---|
| Christopher Sandland | **79,289** | – | – | – | **79,289** | 67,733 | – |
| Stephen Goodyear | **313,671** | **10,941** | **1,519** | **250,000** | **576,131** | 426,947 | **110,975** |
| Torquil Sligo-Young | **159,831** | **10,941** | **14,441** | **150,000** | **335,213** | 276,263 | **343,698** |
| Peter Whitehead | **200,219** | **10,941** | **15,699** | **190,000** | **416,859** | 329,387 | **84,494** |
| Patrick Dardis | **213,985** | **10,941** | **1,519** | **190,000** | **416,445** | 352,266 | **37,469** |
| Roy Summers | **11,462** | – | – | – | **11,462** | 35,650 | – |
| Nicholas Bryan | **35,327** | – | – | – | **35,327** | 25,239 | – |
| Roger Lambert | **23,333** | – | – | – | **23,333** | – | – |
| David Page | **23,333** | – | – | – | **23,333** | – | – |
| **Total 2009** | **1,060,450** | **43,764** | **33,178** | **780,000** | **1,917,392** | | **576,636** |
| Total 2008 | 916,190 | 43,764 | 81,150 | 472,381 | | 1,513,485 | 2,779,600 |

Note:
No bonuses will be paid to the executive directors in respect of the company's 2009 financial year. Cash bonuses were paid in July 2008 to the executive directors which related to, and had been accrued in, the company's 2008 financial year; it is these amounts that are referred to in the bonus column.

# Notes to the financial statements

(continued)

### (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 5% of pensionable earnings. The schemes are defined benefit schemes investing largely in managed funds. As at 28 March 2009, 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 IAS 19. Detailed disclosures are set out in note 19.

| | 1<br>Increase in accrued pension during the year (excluding inflation)<br>£ | 2<br>Transfer value of increase (net of member contributions)<br>£ | 3<br>Accumulated total accrued pension as at 28 March 2009<br>£ | 4<br>Transfer value of accrued pension benefits as at 29 March 2008<br>£ | 5<br>Transfer value of accrued pension benefits as at 28 March 2009<br>£ | 6<br>Increase in transfer value during the year (net of member contributions)<br>£ |
|---|---|---|---|---|---|---|
| Stephen Goodyear | 3,563 | 82,124 | 53,900 | 1,202,589 | 1,331,291 | 122,822 |
| Torquil Sligo-Young | 3,655 | 80,825 | 80,148 | 1,646,350 | 1,772,324 | 125,974 |
| Peter Whitehead | 2,886 | 26,713 | 38,155 | 400,723 | 430,916 | 24,313 |
| Patrick Dardis | 3,838 | 31,827 | 15,353 | 102,468 | 150,828 | 42,480 |

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 28 March 2009. Directors appointed before 6 April 1997 are entitled to a pension payable without reduction at the earliest age permissible by HM Revenue & Customs. This has been allowed for in the calculation of transfer values shown above.

(ii) The difference between the transfer value increase shown in column 2 and column 6 arises from changes in the date and basis of calculation of transfer values.

(iii) Christopher Sandland began to draw his pension during the company's 2006/07 financial year. He therefore has no further defined benefit accrual and has not therefore been included in the above table.

(iv) 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.

### (e) Profit-sharing scheme

For the company's financial years that ended before 2008, members of the scheme were allocated shares of the company on the basis of their entitlement after deductions of income tax and national insurance. Allocations made up to and including those for the company's financial year that ended in 2005 are held in the Ram Brewery Trust II and, on retirement, the member receives his accrued entitlement to shares. If a member leaves the company's employment 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 his allocation to the date of leaving continues to be held on his behalf until normal retirement age.

Allocations for the company's financial years that ended in 2006 and 2007 were made via transfers of actual shares to scheme members. These shares were held in the Ram Brewery Trust. Allocations for the company's financial year that ended in 2008 were made in cash directly from the company. For the company's financial year that ended in 2009, members of the scheme will again receive a cash sum, still based on their entitlement and after deductions of income tax and national insurance. These payments will likewise come directly from the company.

The scheme has now been closed so that no individual newly employed by the company or any of its subsidiaries after 6 April 2007 is entitled to participate.

In 2009, the contribution to the scheme was £237,000 (2008: £224,000) and this has been charged to the income statement.

The accrued entitlement to A shares under the scheme of each of the directors who served during the year is as follows: Stephen Goodyear (22,680), Torquil Sligo-Young (31,412), Peter Whitehead (20,816) and Patrick Dardis (6,696). Christopher Sandland reached his normal retirement age during 2009 and therefore has now received his accrued entitlement of 61,844 A shares. None of Nicholas Bryan, Roger Lambert and David Page is a member of the scheme.

## 8. Exceptional items

### (a) Operating exceptional items

| | 2009 £000 | 2008 £000 |
|---|---|---|
| Profit on sales of properties | **925** | 1,295 |
| Impairment of properties *(note 15)* | **(10,671)** | (1,378) |
| Capital gains tax on ESOP allocated shares | **(90)** | 811 |
| Hotel project fees written off | **(683)** | – |
| | **(10,519)** | 728 |

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

Hotel project fees relate to extensive work carried out to identify opportunities at selected pubs with a view to a large increase in the number of rooms available within our estate. We have been successful in identifying specific opportunities and have obtained planning permission to exploit them but where this has not been the case we have taken the decision to write off the relevant costs.

### (b) Share of associate's operating exceptional items

| | 2009 £000 | 2008 £000 |
|---|---|---|
| Impairment of property | **(2,768)** | – |
| Impairment of brands | **–** | (2,920) |
| Reorganisation costs | **(605)** | (912) |
| Fair value movement on foreign exchange forward contracts | **421** | – |
| Fair value movement on interest rate swap | **(788)** | – |
| | **(3,740)** | (3,832) |

Wells & Young's has decided to outsource its remaining dray fleet and warehousing activities. This has resulted in the exceptional costs above relating to both the impairment in the value of its distribution warehouse and the reorganisation costs which consist mainly of redundancy.

In addition with such volatility in the foreign exchange and financial markets, there have been large movements in the fair value of foreign exchange and interest rate contracts this year. These have been recorded as exceptional by nature of their size.

## 9. Finance costs

| | 2009 £000 | 2008 £000 |
|---|---|---|
| Bank loans and overdrafts | **3,769** | 5,468 |
| Debentures | **–** | 333 |
| Total interest expense on financial liabilities calculated using the effective interest method | **3,769** | 5,801 |
| Finance lease interest | **19** | 19 |
| | **3,788** | 5,820 |

## 10. Finance revenue

| | 2009 £000 | 2008 £000 |
|---|---|---|
| Interest receivable (total interest income on financial assets calculated using the effective investment method) | **222** | 563 |

# Notes to the financial statements

(continued)

## 11. Taxation

| | 2009 £000 | Restated 2008 £000 |
|---|---|---|
| **(a) Tax (charge)/credit on profit on ordinary activities** | | |
| **Tax charged in the income statement** | | |
| (i) *Continuing operations* | | |
| Current tax | | |
| Group excluding associate | **(4,508)** | (1,955) |
| Adjustment in respect of prior periods | **(161)** | – |
| Total current tax | **(4,669)** | (1,955) |
| Deferred tax | | |
| Deferred tax on impairment of properties | **2,435** | 306 |
| Origination and reversal of temporary differences | **(210)** | (2,499) |
| Adjustment on phasing out of industrial buildings allowances (see note (e) below) | **(472)** | – |
| Adjustment in deferred tax rate from 30% to 28% | **–** | 897 |
| Adjustment in respect of prior periods | **(72)** | (772) |
| Total deferred tax | **1,681** | (2,068) |
| Tax charge in the income statement on continuing operations | **(2,988)** | (4,023) |

The prior period adjustments are mainly due to an underestimation of disallowable expenses for 2008, settlement of an inspector's enquiry for 2004 and confirmation of the value of the rolled over gain on disposal of a property.

| | 2009 £000 | Restated 2008 £000 |
|---|---|---|
| (ii) *Discontinued operation* | | |
| Current tax | | |
| Current tax | **495** | 29 |
| Adjustment in respect of prior periods | **50** | 4,864 |
| Total current tax | **545** | 4,893 |

The prior period adjustment is due to an overprovision for the tax charge on the discontinued operation.

| | 2009 £000 | Restated 2008 £000 |
|---|---|---|
| Deferred tax | | |
| Adjustment in deferred tax rate from 30% to 28% | **–** | 1,029 |
| Adjustment in respect of prior periods | **–** | (2,238) |
| Total deferred tax | **–** | (1,209) |
| Tax credit in the income statement on discontinued operation | **545** | 3,684 |
| **Tax charge in the income statement** | **(2,443)** | (339) |
| **Tax relating to items charged or credited to equity** | | |
| Current tax movement on share based payments | **165** | 1,731 |
| Deferred tax | | |
| Retirement benefit schemes | **1,908** | 2,618 |
| Property revaluation – movement due to indexation | **(39)** | 422 |
| Interest rate swaps | **1,200** | 207 |
| Movement on share based payments | **(174)** | (2,134) |
| Adjustment in deferred tax rate from 30% to 28% | **–** | 161 |
| Total deferred tax | **2,895** | 1,274 |
| **Tax credit in the statement of recognised income and expense** | **3,060** | 3,005 |

| | 2009 £000 | Restated 2008 £000 |
|---|---|---|
| **(b) Deferred tax in the income statement** | | |
| Capital allowances | **52** | (935) |
| Impairment of properties | **2,435** | 306 |
| Other tax provisions | **(645)** | (728) |
| Retirement benefit schemes | **(43)** | (667) |
| Rolled over gains on continuing operations | **(118)** | (2,506) |
| Fair value of associate | **–** | 224 |
| Rolled over gains on discontinued operation | **–** | 1,029 |
| **Total deferred tax in the income statement** | **1,681** | (3,277) |
| **(c) Reconciliation of the tax (charge)/credit in the income statement** | | |
| Profit from continuing operations | **6,746** | 12,942 |
| Profit/(loss) from discontinued operation | **304** | (579) |
| Total profit before tax | **7,050** | 12,363 |
| Total profit before tax at corporation tax rate of 28% (2008: 30%) | **(1,974)** | (3,709) |
| Expenses not deductible for tax purposes | **(444)** | (288) |
| Adjustment in deferred tax rate from 30% to 28% | **–** | 1,926 |
| Adjustment for phasing out of industrial buildings allowances | **(472)** | – |
| Adjustment in respect of prior periods | **(183)** | 1,854 |
| Utilisation of tax losses not previously recognised | **495** | – |
| Other | **135** | (122) |
| Total tax charge in the income statement | **(2,443)** | (339) |
| **(d) Tax on discontinued operation** | | |
| Tax credit on discontinued operation | **545** | 3,684 |

**(e) Current year tax adjustments**

The income statement for the current period has been (charged)/credited with the following amounts:

| | Group 2009 £000 | Company 2009 £000 |
|---|---|---|
| (i) Tax charge on phasing out of industrial buildings allowances over three years from 1 April 2008 | **(472)** | **(472)** |
| (ii) Tax credit on release of deferred tax liability on impairment of property | **2,435** | **2,435** |
| (iii) Share of associate's tax charge on phasing out of industrial building allowances over three years from 1 April 2008 | **(1,279)** | **–** |
| (iv) Share of associate's tax credit on release of deferred tax liability on impairment of property | **775** | **–** |
| | **1,459** | **1,963** |

## Notes to the financial statements

(continued)

### (f) Prior year adjustments

The 2008 financial statements have been restated as a result of a number of prior period adjustments to correct errors.

Impairment charges were made against property in the parent company and against brands in the associate without adjusting the related deferred tax liabilities appropriately. Tax credits arise on correction of this, as detailed in (i), (ii) and (iii) below.

In addition, in the light of the phasing out of industrial building allowances, the group conducted a review of the manner of recovery of the relevant assets in the prior year. The outcome of this review was not taken into account in determining the deferred tax in the prior year accounts, and hence a correction was made through a prior period adjustment, giving rise to a tax credit as set out in (iv) below.

*A. The income statement for 2008 has been restated as follows:*

| | Group 2008 £000 | Company 2008 £000 |
|---|---|---|
| (i) Tax credit relating to release of deferred tax liability on impairment of property | 306 | 306 |
| (ii) Share of associate's tax credit relating to release of deferred tax liability on impairment of brands | 818 | – |
| | 1,124 | 306 |

| | | |
|---|---|---|
| The impact of the restatement on the relevant line items of the income statement and balance sheet is as follows: | | |
| Share of associate's tax (expense)/credit | 818 | |
| Share of post tax result of associate | 818 | |
| Profit before interest | 818 | |
| Profit before tax | 818 | |
| Taxation | 306 | |
| Profit from continuing operations | 1,124 | |
| Profit for the year | 1,124 | |
| Deferred tax | 1,124 | 1,124 |
| Retained earnings | (1,124) | (1,124) |

| | Pence | Pence |
|---|---|---|
| Earnings per 12.5p ordinary share from continuing operations | | |
| Basic | 2.37 | |
| Diluted | 2.36 | |
| Earnings per 12.5p ordinary share from continuing and discontinued operations | | |
| Basic | 2.37 | |
| Diluted | 2.36 | |

*B. The deferred tax provision as at the beginning of the 2008 period has been restated as follows:*

| | £000 | £000 |
|---|---|---|
| (iii) Reduction in deferred tax liability on property revaluation relating to release of deferred tax on impairment of properties up to and including 2007 | 1,205 | 1,205 |
| (iv) Reduction in deferred tax liability for industrial buildings allowances to reflect more accurately the expected manner of recovery of the relevant assets | 1,514 | 1,514 |
| | 2,719 | 2,719 |

| | | |
|---|---|---|
| The impact of the restatement on the relevant line items of the balance sheet is as follows: | | |
| Deferred tax | 2,719 | 2,719 |
| Retained earnings | (2,719) | (2,719) |

*C. A summary of the overall impact of the prior year adjustments on the group financial statements is:*

| | Profit for the year £000 | Retained earnings £000 | Basic EPS continuing Pence | Diluted EPS continuing Pence |
|---|---|---|---|---|
| Amount previously reported in 2008 financial statements | 9,578 | 163,687 | 13.67 | 13.62 |
| Adjustment (i) | 306 | 306 | 0.65 | 0.65 |
| Adjustment (ii) | 818 | 818 | 1.72 | 1.71 |
| Adjustment (iii) | – | 1,205 | – | – |
| Adjustment (iv) | – | 1,514 | – | – |
| Restated amount | 10,702 | 167,530 | 16.04 | 15.98 |

## 12. Ordinary dividends on equity shares

| | **2009 Pence** | 2008 Pence | **2009 £000** | 2008 £000 |
|---|---|---|---|---|
| Final dividend (previous year) | **6.50** | 4.84 | **3,122** | 2,269 |
| Interim dividend (current year) | **6.12** | 6.00 | **2,940** | 2,878 |
| | **12.62** | 10.84 | **6,062** | 5,147 |

In addition, the directors are proposing a final dividend in respect of the financial year ending 28 March 2009 of 6.63p per share which will amount to an estimated total of £3.2 million. If approved, it is expected to be paid on 16 July 2009 to shareholders who are on the register of members at the close of business on 12 June 2009.

The trustee of the Ram Brewery Trust had waived its rights in respect of the dividends on the shares held in the trust on behalf of the executive share option schemes. It no longer holds any such shares.

## 13. Adjusted profit before tax

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

| | **2009 £000** | 2008 £000 |
|---|---|---|
| **Profit before tax** | **4,213** | 11,620 |
| Exceptional items – group | **10,519** | (728) |
| Exceptional items – share of associate | **3,740** | 3,832 |
| Premium on redemption of debenture | **–** | 6,817 |
| Discount on site proceeds | **–** | (2,161) |
| Share of associate's tax expense | **685** | (792) |
| **Adjusted profit before tax** | **19,157** | 18,588 |

## 14. Earnings per 12.5p ordinary share

### (a) Earnings

| | 2009 £000 | Restated 2008 £000 |
|---|---|---|
| Profit from continuing operations | **1,225** | 7,597 |
| Profit from discontinued operation | **849** | 3,105 |
| Profit attributable to equity holders of the parent | **2,074** | 10,702 |
| Profit from continuing operations | **1,225** | 7,597 |
| Operating exceptional items | **10,519** | (728) |
| Share of associate's exceptional items | **3,740** | 3,832 |
| Premium paid on redemption of debenture | **–** | 6,817 |
| Discount of site proceeds | **–** | (2,161) |
| Tax attributable to above adjustments | **(3,917)** | (2,911) |
| Tax adjustments on phasing out of industrial buildings allowances: | | |
| – group | **472** | – |
| – share of associate | **1,279** | – |
| Adjusted earnings after tax from continuing operations | **13,318** | 12,446 |

| | Number | Number |
|---|---|---|
| Weighted average number of ordinary shares in issue | **47,951,096** | 47,365,212 |
| Add: the notional exercise of the weighted average number of ordinary share options outstanding | **–** | 161,029 |
| Diluted weighted average number of ordinary shares in issue | **47,951,096** | 47,526,241 |

### (b) Basic earnings per share

| | Pence | Pence |
|---|---|---|
| Basic from continuing operations as previously stated | **2.55** | 13.67 |
| Effect of prior year adjustments (see note 11(f)) | **–** | 2.37 |
| Basic from continuing operations as restated | **2.55** | 16.04 |
| Effect of exceptional items and other adjustments listed above | **25.22** | 10.24 |
| Adjusted basic from continuing operations | **27.77** | 26.28 |
| Basic from continuing operations as restated | **2.55** | 16.04 |
| Basic from discontinued operation | **1.78** | 6.55 |
| Basic | **4.33** | 22.59 |

### (c) Diluted earnings per share

| | | |
|---|---|---|
| Diluted from continuing operations as previously stated | **2.55** | 13.62 |
| Effect of prior year adjustments (see note 11(f)) | **–** | 2.36 |
| Diluted from continuing operations as restated | **2.55** | 15.98 |
| Effect of exceptional items and other adjustments listed above | **25.22** | 10.21 |
| Adjusted basic from continuing operations | **27.77** | 26.19 |
| Diluted from continuing operations as restated | **2.55** | 15.98 |
| Diluted from discontinued operation | **1.78** | 6.54 |
| Diluted | **4.33** | 22.52 |

The comparative figures have been restated as detailed in note 11(f).

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

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

## 15. Property, plant and equipment

| | Group and company | | | |
|---|---|---|---|---|
| | Land & buildings £000 | Fixtures, fittings & equipment £000 | Plant, machinery & vehicles £000 | Total £000 |
| **Cost** | | | | |
| At 2007 | 196,952 | 54,126 | 241 | 251,319 |
| Additions | 27,441 | 10,293 | – | 37,734 |
| Disposals | – | (1,494) | (241) | (1,735) |
| Transfer to assets held for sale | (1,371) | – | – | (1,371) |
| Fully depreciated assets | – | (3,376) | – | (3,376) |
| At 2008 | 223,022 | 59,549 | – | 282,571 |
| Additions | 15,300 | 9,187 | – | 24,487 |
| Disposals | – | (252) | – | (252) |
| Transfer to assets held for sale | (276) | – | – | (276) |
| Transfer from assets held for sale | 119 | – | – | 119 |
| Fully depreciated assets | – | (4,097) | – | (4,097) |
| **At 2009** | **238,165** | **64,387** | **–** | **302,552** |
| **Depreciation and impairment** | | | | |
| At 2007 | 3,997 | 23,656 | 241 | 27,894 |
| Charge for year | 480 | 6,640 | – | 7,120 |
| Impairment for year | 1,002 | 286 | – | 1,288 |
| Disposals | – | (1,312) | (241) | (1,553) |
| Transfer to assets held for sale | (86) | – | – | (86) |
| Fully depreciated assets | – | (3,376) | – | (3,376) |
| At 2008 | 5,393 | 25,894 | – | 31,287 |
| Charge for year | 568 | 7,537 | – | 8,105 |
| Impairment for year | 8,697 | 1,974 | – | 10,671 |
| Disposals | – | (191) | – | (191) |
| Transfer to assets held for sale | (249) | – | – | (249) |
| Transfer from assets held for sale | 118 | – | – | 118 |
| Fully depreciated assets | – | (4,097) | – | (4,097) |
| **At 2009** | **14,527** | **31,117** | **–** | **45,644** |
| **Net book value** | | | | |
| At 2007 | 192,955 | 30,470 | – | 223,425 |
| At 2008 | 217,629 | 33,655 | – | 251,284 |
| **At 2009** | **223,638** | **33,270** | **–** | **256,908** |

**(a) Assets held under finance leases**
The net book value of assets held under finance leases was:

| | **2009** **£000** | Restated 2008 £000 |
|---|---|---|
| Land and buildings assets held under finance leases | **6,422** | 6,809 |

The comparative figure has been restated to correct an error in classification of assets last year.

**(b) Capital commitments**

| | **2009** **£000** | 2008 £000 |
|---|---|---|
| Capital commitments not provided for in these financial statements and for which contracts have been placed amounted to | **1,514** | 6,944 |

**(c) Impairment**
Due to the weakening UK economy, recent falls in property values and the deterioration in the consumer environment, an impairment loss was recognised in the year of £10,671,000 (2008: £1,378,000).

Of this, £10,671,000 (2008: £1,288,000) was charged to properties and fixtures (see above) and £nil (2008: £90,000) to prepaid operating lease premiums.

Impairment was assessed at the cash generating unit level, considered to be on the basis of each individual pub. Whether an asset was impaired or not was determined by comparing the carrying value of an asset against its deemed 'recoverable amount'. The recoverable amount was taken as the higher of either the fair value (net of disposal costs) or its value in use. The impairment charges during the year were calculated on both measures of recoverable amount.

The value in use was determined by conducting a net present value review of all relevant cash flows from the asset. The pre-tax discount rate used in this review was 9.4% (2008: 8.0%).

## 16. Investments

### (a) Investment in subsidiaries

| | Group | | Company | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **£000** | £000 | **£000** | £000 |
| Subsidiary undertakings | **–** | – | **20** | 20 |

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.

On 12 August 2008 the company acquired 100% of the issued share capital of Bushranger Property Company Limited ("BPC"), namely 50 ordinary A shares and 50 ordinary B shares, all of £1 each. BPC owned the Old Ship public house in Hammersmith, London which it transferred to the company on 12 August 2008. At 28 March 2009 the company's investment had a carrying value of £100. Liquidation of Bushranger Property Company Limited commenced on 9 February 2009.

### (b) Investment in associate

| | Group | | Company | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **£000** | £000 | **£000** | £000 |
| Opening balance | **19,751** | 22,458 | **11,303** | 11,303 |
| Additions | **–** | – | **–** | – |
| Items charged direct to equity | **(632)** | (586) | **–** | – |
| Share of loss of associate | **(2,515)** | (2,121) | **–** | – |
| Closing balance | **16,604** | 19,751 | **11,303** | 11,303 |

Investment in associate comprises the group's unlisted investment in Wells & Young's. 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 associate included above, the group has recorded the following amounts in the group income statement:

– an expense of £18,000 (2008: £19,000) relating to unrealised profit on stock purchased from the associate and held at year end; and

– a credit of £nil (2008: £818,000) for its share of the associate's tax credit on release of deferred tax liability on impairment of brands.

Wells & Young's total revenue for the year is £210.6 million including excise duty (2008: £206.9 million).

The group's share of summarised financial information of Wells & Young's is as follows:

| | Group | |
|---|---|---|
| | **2009** | 2008 |
| | **£000** | £000 |
| Non-current assets | **27,934** | 31,242 |
| Current assets | **18,592** | 19,831 |
| Share of gross assets | **46,526** | 51,073 |
| Current liabilities | **(18,260)** | (20,713) |
| Non-current liabilities | **(11,662)** | (10,609) |
| Share of gross liabilities | **(29,922)** | (31,322) |
| Share of net assets | **16,604** | 19,751 |

## 17. Capital management and financial instruments

The group's capital management objective is to maintain an optimal structure, measuring investment opportunities against returning capital to shareholders, but with an appropriate level of gearing. This provides a platform from which the group can seek to maximise shareholder value. The group monitors its capital using gearing ratios, net debt as a multiple of EBITDA and interest cover. The group finances the business with a mixture of debt (note 17(b)) and equity (notes 25 and 26).

The group's principal treasury objectives are to manage financial risks and provide secure and competitively priced funding for the group's activities. When appropriate, the group uses financial instruments and derivatives to manage these risks.

The borrowing requirements are met largely by bank debt and to a very small extent finance leases. Other sources of funding arise directly from trading activities, such as trade and other payables.

The main financial risks relate to interest rates, credit and liquidity. The board seeks to manage these in the following manner:

*Interest rate risk*
The objective is to minimise the group's interest cost and provide protection from adverse movements in interest rates. The board does this by maintaining a mix of debt at fixed and variable interest rates. Interest rate swaps are used to manage this exposure by fixing interest rates whilst matching the maturity profile and cashflows of the underlying debt. These swaps are designated as cashflow hedges.

The following table demonstrates the sensitivity of the group's profit before tax to a change in interest rates, with all other variables held constant.

| | Increase/ decrease in basis points | Effect on profit before tax £000 |
|---|---|---|
| 2009 | +100 | (303) |
| | –100 | 303 |
| 2008 | +100 | (146) |
| | –100 | 146 |

*Credit risk*
The objective is to minimise the group's costs relating to credit risk. Such risks arise where counterparties default on their debts or other obligations, which would impair the group's ability to recover the carrying value of that asset. The group has financial control policies which it performs before entering into arrangements with a new counterparty or when there is a substantial change in the existing relationship. Any potential impairments are monitored and, where appropriate, provision is made for any irrecoverable balances.

*Liquidity and cashflow risk*
The objective is to ensure that the group has sufficient financial resources to develop its existing business and exploit opportunities as they arise. The board manages liquidity risk by ensuring that the group's debt profile is long dated, facilities are committed and the group does not rely unduly on short term borrowings. The group's borrowings are dependent on certain financial covenants being met. If these were breached, funding could be withdrawn leaving the group with insufficient working capital and if the group were unable to find other alternative sources of funding it may not be possible to continue trading in its current form. The board is vigilant in managing the business, assessing and monitoring acquisitions and investments, and forecasting the group's profit and cash flows. The funding position of the group is continuously reviewed against the headroom in the group's borrowing facilities.

Other risks that the group faces are referred to in the principal risks and uncertainties section starting on page 12.

### (a) Derivative financial instruments: interest rate swaps

| | Group and company | |
|---|---|---|
| | **2009** | 2008 |
| | **£000** | £000 |
| Financial liability – interest rate swaps | **(4,798)** | (511) |
| Loss on cashflow hedge taken to equity | **(4,287)** | (690) |

The group has three interest rate swaps that fix future interest cash flows on the variable interest rate bank loan. These instruments result in the group paying fixed interest rates based on LIBOR on the notional amount for the swap's life. The swap is being used to hedge the exposure to changes in the group's cash flows on its variable rate loan. The secured loan and the interest rate swap have the same critical terms over their relevant period.

The duration of each swap, and their respective interest rates once combined with the bank's margin and other costs are detailed in part (b) of this note.

### (b) Loans, borrowing, interest rates and fair value

| | Group and company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Term | Interest rate | Effective interest rate | Period rate fixed | **Fair value 2009 £000** | Fair value 2008 £000 | **Book value 2009 £000** | Book value 2008 £000 |
| **Secured** | | | | | | | | |
| Bank loan | March 2018 to 2023 | Variable | Variable | None | **15,000** | 15,000 | **15,000** | 15,000 |
| Bank loan swapped into fixed rate | March 2023 | Variable | 6.35% | 9 years | **5,779** | 5,169 | **5,000** | 5,000 |
| Bank loan swapped into fixed rate | March 2023 | Variable | 5.90% | 14 years | **11,249** | 10,030 | **10,000** | 10,000 |
| Bank loan swapped into fixed rate | March 2023 | Variable | 6.01% | 14 years | **22,770** | 20,312 | **20,000** | 20,000 |
| Revolving credit facility | March 2013 | Variable | Variable | None | **16,500** | – | **16,500** | – |
| | | | | | **71,298** | 50,511 | **66,500** | 50,000 |
| **Unsecured** | | | | | | | | |
| Finance leases | | | | | | | **321** | 316 |
| **Loan capital and finance leases** | | | | | | | **66,821** | 50,316 |

The secured borrowings are secured on the assets of the group.

The fair values of borrowings and interest rate derivatives are estimated based on prevailing market rates of interest and expected future cash flows arising from those instruments.

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

| | Maturity of financial liabilities | |
|---|---|---|
| | **2009 £000** | 2008 £000 |
| Within one year | **3,690** | 3,073 |
| Between one and two years | **3,690** | 3,068 |
| Between two and five years | **26,753** | 9,203 |
| After five years | **75,049** | 79,754 |
| | **109,182** | 95,098 |

The above table is presented on the basis of contractual, undiscounted payments.

The above maturity table includes the gross undiscounted cashflows of the borrowings, relating interest, net derivatives and the finance leases.

### (d) Financial assets

Financial assets are not included in this note because their book value would approximate their carrying value.

## 18. Deferred tax

| | Group | | Company | |
|---|---|---|---|---|
| | **2009 £000** | Restated 2008 £000 | **2009 £000** | Restated 2008 £000 |
| Capital allowances | **2,919** | 2,971 | **2,919** | 2,971 |
| Other tax provisions | **(53)** | (698) | **(53)** | (698) |
| Share based payments | **–** | (174) | **–** | (174) |
| Property revaluation | **2,031** | 4,427 | **2,031** | 4,427 |
| Retirement benefit scheme | **(3,289)** | (1,424) | **(3,289)** | (1,424) |
| Capital gains tax rollover | **18,203** | 18,085 | **18,203** | 18,085 |
| Fair value gain on exchange of assets for interest in associate | **2,320** | 2,320 | **–** | – |
| Interest rate swap | **(1,343)** | (143) | **(1,343)** | (143) |
| | **20,788** | 25,364 | **18,468** | 23,044 |

The comparative figures have been restated for the release of deferred tax liabilities on the impairment of property and brands and for the adjustment to the deferred tax liability on industrial buildings allowances, as detailed in note 11(f).

The group has capital losses of £2,454,000 (2008: £2,751,000) 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.

## 19. Retirement benefit schemes

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 £192,000 (2008: £148,000).

The group's accounting policy for recognising actuarial gains and losses is to recognise these immediately through the statement of recognised income and expense.

An independent qualified actuary has updated the most recent actuarial valuations at 5 April 2008 to take account of the requirements of IAS 19 in order to assess the liabilities of the schemes as at 28 March 2009.

The employer contribution to the defined benefits schemes for the year ended 28 March 2009 was £568,000 (2008: £2,239,000) plus premiums of £234,000 (2008: £220,000) to the post retirement health care plan. The current arrangement as regards to contribution rates is described in the appropriate Schedules of Contributions.

The overall expected rate of return of the plan assets has been based on the average expected return for each asset class, weighted by the amount of assets in each class.

The defined benefit 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 £nil (2008: £133,000) 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.

Future employee contribution rates will be 5% of pensionable earnings. Future employer contribution rates will be 18% of pensionable earnings. The total contributions to the defined benefit plans in the 2010 financial year are expected to be £1,800,000. The total contributions to the post retirement health care plan in the 2010 financial year are expected to be £240,000.

The pension plan assets includes Young & Co.'s Brewery, P.L.C. securities with a fair value of £4,921,000 (2008: £5,628,000). There are no property assets of the plan occupied by Young's.

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

| | Group and company | | | | | |
|---|---|---|---|---|---|---|
| | 2009 | | | 2008 | | |
| | Pension schemes £000 | Health care schemes £000 | Total £000 | Pension schemes £000 | Health care schemes £000 | Total £000 |
| **(a) Changes in the present value of the pension schemes are analysed as follows:** | | | | | | |
| Opening deficit | (1,115) | (3,973) | (5,088) | 4,791 | (3,836) | 955 |
| Current service cost | (857) | (78) | (935) | (1,176) | – | (1,176) |
| Contributions | 568 | 234 | 802 | 2,239 | 220 | 2,459 |
| Other finance income/(cost) | 543 | (258) | 285 | 1,470 | (201) | 1,269 |
| Curtailment/settlement gain | – | – | – | 133 | – | 133 |
| Actuarial (loss)/gain | (7,112) | 295 | (6,817) | (8,572) | (156) | (8,728) |
| Closing deficit | (7,973) | (3,780) | (11,753) | (1,115) | (3,973) | (5,088) |

| | Group and company | | | | | |
|---|---|---|---|---|---|---|
| | 2009 | | | 2008 | | |
| | Pension schemes £000 | Health care schemes £000 | Total £000 | Pension schemes £000 | Health care schemes £000 | Total £000 |
| **(b) Recognised in the income statement** | | | | | | |
| *Operating profit* | | | | | | |
| Current service cost | (857) | (78) | (935) | (1,176) | – | (1,176) |
| Curtailment/settlement gain | – | – | – | 133 | – | 133 |
| | (857) | (78) | (935) | (1,043) | – | (1,043) |
| *Other finance income* | | | | | | |
| Expected return on pension plan assets | 5,836 | – | 5,836 | 5,760 | – | 5,760 |
| Interest on pension liabilities | (5,293) | (258) | (5,551) | (4,290) | (201) | (4,491) |
| **Net return** | 543 | (258) | 285 | 1,470 | (201) | 1,269 |
| **(c) Recognised in statement of recognised income and expense** | | | | | | |
| Actual return less expected return on plan assets | (16,973) | – | (16,973) | (10,413) | – | (10,413) |
| Experience gains/(losses) arising on the plan liabilities | 5,652 | 231 | 5,883 | (400) | (213) | (613) |
| Changes in assumptions underlying the plan liabilities | 4,209 | 64 | 4,273 | 2,241 | 57 | 2,298 |
| **Actuarial (loss)/gain recognised** | (7,112) | 295 | (6,817) | (8,572) | (156) | (8,728) |
| **(d) Movements in the present value of defined benefit obligations during the year** | | | | | | |
| Opening defined benefit obligations | 80,376 | 3,973 | 84,349 | 80,823 | 3,836 | 84,659 |
| Employer's current service cost | 857 | 78 | 935 | 1,176 | – | 1,176 |
| Interest on obligation | 5,293 | 258 | 5,551 | 4,290 | 201 | 4,491 |
| Contributions by plan participants | 153 | – | 153 | 189 | – | 189 |
| Past service costs – vested benefits | – | – | – | – | – | – |
| Actuarial (gains)/losses on obligations | (9,861) | (295) | (10,156) | (1,841) | 156 | (1,685) |
| Curtailment gain | – | – | – | (133) | – | (133) |
| Benefits paid | (3,775) | (234) | (4,009) | (4,128) | (220) | (4,348) |
| Bulk transfer amount paid | – | – | – | – | – | – |
| **Present value of plan liabilities at end of year** | 73,043 | 3,780 | 76,823 | 80,376 | 3,973 | 84,349 |
| **(e) Change in fair value of plan assets** | | | | | | |
| Opening fair value of plan assets | 79,261 | – | 79,261 | 85,614 | – | 85,614 |
| Expected return on plan assets | 5,836 | – | 5,836 | 5,760 | – | 5,760 |
| Actuarial losses on plan assets | (16,973) | – | (16,973) | (10,413) | – | (10,413) |
| Contributions by employer | 568 | 234 | 802 | 2,239 | 220 | 2,459 |
| Contributions by plan participants | 153 | – | 153 | 189 | – | 189 |
| Benefits paid | (3,775) | (234) | (4,009) | (4,128) | (220) | (4,348) |
| Bulk transfer amount paid | – | – | – | – | – | – |
| **Fair value of plan assets at end of year** | 65,070 | – | 65,070 | 79,261 | – | 79,261 |

## Notes to the financial statements

(continued)

**Assumptions**

| | Pension | | Health care | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **%** | % | **%** | % |
| Rate of increase in salaries | 4.00 | 4.60 | N/A | N/A |
| Discretionary pension increases | 3.00 | 3.60 | N/A | N/A |
| Rate of revaluation of deferred pensions | 3.00 | 3.60 | N/A | N/A |
| Discount rate | 6.50 | 6.70 | 6.50 | 6.70 |
| Inflation | 3.00 | 3.60 | 3.00 | 3.60 |
| General medical expenses inflation | N/A | N/A | 9.00 | 9.40 |

Mortality assumptions
The life expectancies underlying the valuation are as follows:

| | **2009** | 2008 |
|---|---|---|
| | **Years** | Years |
| Current pensioners (at age 65) – males | 22.0 | 22.0 |
| Current pensioners (at age 65) – females | 24.8 | 24.8 |
| Future pensioners (at age 65) – males | 22.0 | 22.0 |
| Future pensioners (at age 65) – females | 24.8 | 24.8 |

A one percentage point change in the assumed rate of increase in healthcare costs would have the following effects:

| | Increase | Decrease |
|---|---|---|
| | £000 | £000 |
| Effect on the aggregate service cost and interest cost | 24 | (20) |
| Effect on defined benefit obligation | 362 | (314) |

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

| | Expected rate of return | | Assets and liabilities | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **%** | % | **£000** | £000 |
| Equities | 8.25 | 8.40 | 15,137 | 20,715 |
| Diversified growth fund | 8.25 | 8.25 | 12,881 | 16,591 |
| Corporate bonds | 6.70 | 6.90 | 23,149 | 24,923 |
| Insured pensions | 6.50 | 6.70 | 14,095 | 15,964 |
| Other | 2.00 | 4.90 | (192) | 1,068 |
| Total fair value of the assets | | | 65,070 | 79,261 |
| Present value of retirement benefit liabilities | | | (76,823) | (84,349) |
| Scheme (deficit)/surplus | | | (11,753) | (5,088) |

The long-term weighted average rate of return on plan assets at 28 March 2009 is 7.34% (2008: 7.51%).

| | Staff and works | | Ram Brewery Trust | | Health care schemes | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 | **2009** | 2008 | **2009** | 2008 |
| | **£000** | £000 | **£000** | £000 | **£000** | £000 | **£000** | £000 |
| Fair value of the assets | **54,632** | 67,441 | **10,438** | 11,820 | **–** | – | **65,070** | 79,261 |
| Present value of the retirement benefit liabilities | **(67,964)** | (75,183) | **(5,079)** | (5,193) | **(3,780)** | (3,973) | **(76,823)** | (84,349) |
| Scheme (deficit)/surplus | **(13,332)** | (7,742) | **5,359** | 6,627 | **(3,780)** | (3,973) | **(11,753)** | (5,088) |

The board and the respective trustees of the three defined benefit schemes are working together on the future of the schemes. This could involve a merger of the three schemes or the Ram Brewery Trust Pension Fund accepting additional liabilities from the other two schemes. The trustee of the Ram Brewery Trust Pension Fund is understood to be supportive of this.

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

**History of experience gains and losses**

| | **2009** **£000** | 2008 £000 | 2007 £000 | 2006 £000 |
|---|---|---|---|---|
| Fair value of scheme assets | 65,070 | 79,261 | 85,614 | 86,889 |
| Present value of defined benefit obligations | (76,823) | (84,349) | (84,659) | (92,793) |
| Surplus/(deficit) in the schemes | (11,753) | (5,088) | 955 | (5,904) |
| Experience gains/(losses) arising on plan liabilities | 5,883 | (613) | (48) | 3,999 |
| Experience gains/(losses) arising on plan assets | (16,973) | (10,413) | 1,451 | 9,727 |

The cumulative amount of actuarial gains and losses recognised since 2 April 2006 in the statement of recognised income and expense is a £12,006,000 loss (2008: £5,052,000 loss). The directors are unable to determine how much of the pension scheme deficit recognised on transition to IFRS and taken directly to equity of £5,898,000 is attributable to actuarial gains and losses since inception of those pension schemes. Consequently, the directors are unable to determine the amount of actuarial gains and losses that would have been recognised in the statement of recognised income and expense before 2 April 2006.

## 20. Inventories

| | Group | | Company | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **£000** | £000 | **£000** | £000 |
| Finished goods and goods for resale | **1,702** | 1,511 | **1,785** | 1,576 |

# Notes to the financial statements
(continued)

## 21. Trade and other receivables

| | Group and company | |
|---|---|---|
| | **2009** | 2008 |
| | **£000** | £000 |
| Trade receivables: | | |
| From associate | **217** | 108 |
| From other parties | **2,276** | 2,404 |
| Total trade receivables | **2,493** | 2,512 |
| Other receivables | **1,224** | 1,431 |
| Prepayments and accrued income | **1,025** | 853 |
| | **4,742** | 4,796 |

The above carrying values equate to fair value.

All trade receivable balances are denominated in sterling.

Trade receivables are non-interest bearing and are generally on 14-30 days' terms and are shown net of a provision for impairment. As at 28 March 2009, trade receivables at nominal value of £667,000 (2008:£364,000) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

| | **2009** | 2008 |
|---|---|---|
| | **£000** | £000 |
| Opening balance | **364** | 221 |
| Charge for year | **541** | 430 |
| Amounts written off | **(289)** | (337) |
| Unused amount reversed | **51** | 50 |
| **Closing balance** | **667** | 364 |

The amounts written off in the year were where certain debts proved irrecoverable.

As at 28 March 2009, the analysis of trade receivables that were past due, but not impaired is as follows:

| | Total | Neither past due nor impaired | <30 days | 30-60 days | 60-90 days | 90-120 days | 120 days + |
|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| 2009 | 2,493 | 1,051 | 517 | 268 | 81 | 63 | 513 |
| 2008 | 2,512 | 839 | 584 | 319 | 239 | 85 | 446 |

Of the trade receivables that are neither past due nor impaired, 16.2% reflects new customers with no previous history of default. 83.1% represents existing customers with no history of default, and 0.7% have some history of default.

## 22. Non-current assets classified as held for sale

| | Group and company | |
|---|---|---|
| | **2009** | 2008 |
| | **£000** | £000 |
| Property, plant & equipment | **797** | 1,215 |

(a) The above represents four pub properties classified as held for sale (2008: five).

(b) The sale of these properties is expected to be completed within one year.

(c) Where necessary, the carrying value of these properties has been reduced to fair value less costs to sell.

(d) Movements during the period:
- one property was sold (2008: four)
- one property was transferred from property, plant & equipment (2008: five)
- one property was transferred to property, plant & equipment as sale within one year is no longer thought to be highly probable (2008: nil).

## 23. Financial liabilities

| | | Group and company | |
|---|---|---|---|
| | | **2009** | 2008 |
| | Term | **£000** | £000 |
| **Current** | | | |
| Obligations under finance leases | Various | **2** | 1 |
| **Non-current** | | | |
| Term loan | 2018-2023 | **50,000** | 50,000 |
| Variable rate secured revolving credit facility | 2008-2013 | **16,500** | – |
| Obligations under finance leases | Various | **319** | 315 |
| | | **66,819** | 50,315 |

**Bank**

*Overdrafts*
Bank overdrafts are used for day to day cash management. The group has a £5 million overdraft facility with interest linked to base rate.

*Loans*

*Term loan*
The group has a £50 million loan with Royal Bank of Scotland, repayable in instalments from 28 March 2018 with a final repayment of £37.5 million on 28 March 2023. An interest rate swap has been entered into in respect of £35 million of the bank loan which results in the effective interest charge being fixed at the rates disclosed in note 17(b). The interest charge on the remaining £15 million is at a margin above LIBOR.

*Variable rate revolving credit facility*
The group has a £40 million revolving credit facility with the Royal Bank of Scotland of which £16.5 million was drawn at the year end. Final repayment of the total drawn-down balance is due as one payment on 27 March 2013. This is a committed facility which permits drawings of different amounts and periods. These drawings carry interest at a margin above LIBOR, with a commitment payment on the undrawn portions. Interest is payable at each renewal date.

Charge taken to income statement on debenture redemption

| | **2009 £000** | 2008 £000 |
|---|---|---|
| Gross redemption premium | **–** | 9,287 |
| Issue costs written off | **–** | 273 |
| Issue premium written back | **–** | (2,931) |
| Fees | **–** | 188 |
| | **–** | 6,817 |

## 24. Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | **2009 £000** | 2008 £000 | **2009 £000** | 2008 £000 |
| Trade payables | **3,508** | 4,648 | **3,508** | 4,648 |
| Amounts owed to subsidiary | **–** | – | **20** | 20 |
| Other related parties: | | | | |
| Associate | **4,689** | 2,420 | **4,689** | 2,420 |
| Ram Brewery Trust | **–** | – | **2,640** | 3,388 |
| Other tax and social security | **3,000** | 14,875 | **2,937** | 13,543 |
| Other creditors | **2,199** | 4,238 | **2,101** | 4,147 |
| Accruals and deferred income | **5,402** | 4,361 | **5,402** | 4,361 |
| | **18,798** | 30,542 | **21,297** | 32,527 |

The above carrying values equate to fair value.

All trade payables are payable on demand.

## 25. Share capital

**2009 and 2008**

| | Shares | **£000** |
|---|---|---|
| **Authorised** | | |
| A ordinary shares of 12.5p each | 40,000,000 | **5,000** |
| Non-voting ordinary shares of 12.5p each | 28,000,000 | **3,500** |
| **Issued and fully paid shares** | | |
| A ordinary shares of 12.5p each | 29,064,000 | **3,633** |
| Non-voting ordinary shares of 12.5p each | 19,160,000 | **2,395** |
| | 48,224,000 | **6,028** |

Subject to the company's articles of association, the holders of the A shares have the right to receive notices of general meetings and to attend, speak and vote at them. Those rights do not apply to holders of the non-voting shares. The A shares and the non-voting shares have to be treated equally for all purposes of participation in profits or assets.

## 26. Reconciliation of changes in equity

| | Share capital £000 | Share premium £000 | Other reserves £000 | Investment in own shares £000 | Retained earnings £000 | Total equity £000 |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| At 2007 as previously stated | 6,028 | 1,274 | 2,071 | (2,123) | 165,159 | 172,409 |
| Prior year adjustments to deferred tax liabilities on: | | | | | | |
| – industrial buildings allowances (see note 11(f)) | – | – | – | – | 1,514 | 1,514 |
| – property revaluation (see note 11(f)) | – | – | – | – | 1,205 | 1,205 |
| At 2007 as restated | 6,028 | 1,274 | 2,071 | (2,123) | 167,878 | 175,128 |
| Total recognised income and expense for the year, after prior year adjustments (see note 11(f)) | – | – | (493) | – | 4,155 | 3,662 |
| Dividends paid on equity shares | – | – | – | – | (5,147) | (5,147) |
| Share-based payments by associate | – | – | – | – | 41 | 41 |
| Allocation of shares to employees | – | – | – | 1,984 | 603 | 2,587 |
| At 2008 | 6,028 | 1,274 | 1,578 | (139) | 167,530 | 176,271 |
| Total recognised income and expense for the year | – | – | (3,087) | – | (3,568) | (6,655) |
| Dividends paid on equity shares | – | – | – | – | (6,062) | (6,062) |
| Share-based payments by associate | – | – | – | – | 53 | 53 |
| Allocation of shares to employees | – | – | – | 101 | 503 | 604 |
| **At 2009** | **6,028** | **1,274** | **(1,509)** | **(38)** | **158,456** | **164,211** |
| **Company** | | | | | | |
| At 2007 as previously stated | 6,028 | 1,274 | 2,071 | – | 156,722 | 166,095 |
| Prior year adjustments to deferred tax liabilities on: | | | | | | |
| – industrial buildings allowances (see note 11(f)) | – | – | – | – | 1,514 | 1,514 |
| – property revaluation (see note 11(f)) | – | – | – | – | 1,205 | 1,205 |
| At 2007 as restated | 6,028 | 1,274 | 2,071 | – | 159,441 | 168,814 |
| Total recognised income and expense for the year, after prior year adjustments (see note 11(f)) | – | – | (493) | – | 5,069 | 4,576 |
| Dividends paid on equity shares | – | – | – | – | (5,147) | (5,147) |
| At 2008 | 6,028 | 1,274 | 1,578 | – | 159,363 | 168,243 |
| Total recognised income and expense for the year | – | – | (3,087) | – | (260) | (3,347) |
| Dividends paid on equity shares | – | – | – | – | (6,062) | (6,062) |
| **At 2009** | **6,028** | **1,274** | **(1,509)** | **–** | **153,041** | **158,834** |

**Other reserves**
These comprise the capital redemption reserve, the hedging reserve and the share-based payments reserve.

At 28 March 2009 the capital redemption reserve had a credit balance of £1,808,000 (2008: £1,808,000 credit).

At 28 March 2009 the hedging reserve had a debit balance of £3,455,000 (2008: £368,000 debit). During the year the fair value of the interest rate swap, net of deferred tax, fell by £3,087,000 (2008: fall of £493,000).

At 28 March 2009 the share-based payments reserve had a credit balance of £138,000 (2008: £138,000).

**Goodwill**
At 28 March 2009, the accumulated goodwill on the acquisition of subsidiary undertakings which has been written off against reserves amounted to £3,697,000 (2008: £3,697,000). The group has elected not to apply IFRS 3 Business Combinations retrospectively to past business combinations. On any subsequent disposal of the related businesses, such goodwill would not be reinstated and charged back to the income statement.

**Investment in own shares**
On 28 March 2009, the Ram Brewery Trust held 95,308 unallocated A ordinary shares (2008: 347,988), with an aggregate cost of £38,000 (2008: £139,000) and market value of £428,000 (2008: £1,731,000).

# Notes to the financial statements

(continued)

## 27. Net cash generated from operations

| | Group | | Company | |
|---|---|---|---|---|
| | | Restated | | |
| | **2009** | 2008 | **2009** | 2008 |
| | **£000** | £000 | **£000** | £000 |
| **Profit before tax on continuing operations** | **4,213** | 11,620 | **6,836** | 12,131 |
| Net finance costs | **3,566** | 5,257 | **3,566** | 5,257 |
| Premium paid on redemption of debenture | **–** | 6,817 | **–** | 6,817 |
| Discount of site proceeds | **–** | (2,161) | **–** | (2,161) |
| Other finance income | **(285)** | (1,269) | **(285)** | (1,269) |
| Share of post tax results of associate | **2,533** | 1,322 | **–** | – |
| **Operating profit on continuing operations** | **10,027** | 21,586 | **10,117** | 20,775 |
| Depreciation | **8,105** | 7,120 | **8,105** | 7,120 |
| Impairment of property *(note 15)* | **10,671** | 1,378 | **10,671** | 1,378 |
| Profit on sales of properties | **(925)** | (1,295) | **(925)** | (1,295) |
| Difference between pension service cost and cash contributions paid | **133** | (1,283) | **133** | (1,283) |
| Allocation of shares to employees | **–** | 749 | **–** | – |
| Provision for capital gains tax on ESOP allocated shares | **90** | (811) | **–** | – |
| Movements in working capital | | | | |
| Inventories | **(209)** | (99) | **(209)** | (99) |
| Receivables | **179** | (1,661) | **179** | (1,661) |
| Payables | **(1,633)** | 944 | **(997)** | 3,531 |
| **Net cash generated from operations** | **26,438** | 26,628 | **27,074** | 28,466 |

The comparative figures have been restated as detailed in note 11(f).

## 28. Related party transactions

**Directors**

Details of directors' emoluments and retirement benefits are disclosed in notes 7(c) and 7(d). Directors' shareholdings and interests are disclosed or referred to on page 17 and in note 7(e).

Roy Summers, a non-executive director, retired on 15 July 2008. Following his retirement, Dr Summers agreed to advise on the quality of the company's own-brand beers brewed by Wells & Young's in Bedford, and also to assist with quality monitoring. He has received £8,005 from the company for these services.

The Ram Brewery Trust is managed by a corporate trustee, Ram Brewery Trustees Limited ("RBT"). None of the directors of RBT is a director of the company. The assets of the trust are principally the company's A shares. As at 28 March 2009, the trust held 802,108 A shares (2008: 1,054,788), being 2.76% of the class. The Ram Brewery Trust was established in 1959. It has two parts; the Pension Account and the General Account. The Pension Account provides pensions and other benefits to employees of the group and certain other individuals. The General Account holds assets and makes payments to or for the benefit of employees.

The Ram Brewery Trust II is managed by a corporate trustee, RBT II Trustees Limited ("RBT II"). Torquil Sligo-Young, a current director of the company, and Roy Summers, a former director of the company, are the directors of RBT II. The assets of the trust are the company's A shares. As at 28 March 2009, the trust held 936,720 A shares (2008: 1,075,668), being 3.22% of the class. The Ram Brewery Trust II was established in 2008. It holds assets for the benefit of employees and former employees, principally reflecting their accrued entitlement to A shares under the group's profit-sharing scheme.

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

**Key management**

The group considers key management to be solely the directors of the company, as the directors are the only people with authority and responsibility for planning, directing and controlling the activities of the group. The compensation provided to directors is detailed in note 7.

**Associate**

The group has a five-year agreement from 1 October 2006 to purchase drinks for its pub estate exclusively from its associate, Wells and Young's, at commercial market prices.

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

| | **2009** **£000** | 2008 £000 |
|---|---|---|
| Purchase of beer, wines and spirits for resale by the group | **(25,509)** | (25,065) |
| Rent and charge for services by the group | **–** | 470 |
| Other charges made to the group | **(297)** | (512) |

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

| | **2009** **£000** | 2008 £000 |
|---|---|---|
| Amount receivable by the group | **217** | 108 |
| Amount owed by the group | **(4,689)** | (2,420) |

## 29. Share-based payments

*Share options*

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

| | **2009** **No.** | **2009 WAEP (pence)** | 2008 No. | 2008 WAEP (pence) |
|---|---|---|---|---|
| Opening balance of share options outstanding | **252,680** | **251.70** | 1,318,060 | 187.7 |
| Exercised during the year | **(252,680)** | **251.70** | (1,065,380) | 172.5 |
| Lapsed during the year | **–** | **–** | – | – |
| **Closing balance of share options outstanding** | **–** | **–** | 252,680 | 251.7 |
| **Exercisable at year end** | **–** | **–** | 252,680 | 251.7 |

The weighted share price for the year was 482.79p.

There are no unvested share options outstanding at 28 March 2009 and no share-based payment charge for the year.

# Notes to the financial statements
(continued)

## 30. Obligations under leases

### (a) Obligations under finance leases

Finance leases for property are for terms ranging from 50 to 999 years. Minimum lease payments for most leases are nominal amounts. Leases do not have a purchase option but most are renewable at the lessee's option at the end of the lease term. Equipment is leased over terms of up to five years.

Future minimum lease payments under finance leases are as follows:

| | Group and company | |
|---|---|---|
| | **2009** | 2008 |
| | **£000** | £000 |
| *Future minimum lease payments due:* | | |
| Not later than one year | **21** | 21 |
| Later than one year and not later than five years | **83** | 62 |
| Later than five years | **1,589** | 1,624 |
| | **1,693** | 1,707 |
| Less: finance charges allocated to future years | **(1,372)** | (1,391) |
| | **321** | 316 |
| *The present value of minimum lease payments is analysed as follows:* | | |
| Not later than one year | **2** | 1 |
| Later than one year and not later than five years | **7** | 5 |
| Later than five years | **312** | 310 |
| | **321** | 316 |

Future minimum rentals receivable from non-cancellable subleases on the above properties as at 28 March 2009 were £434,000 (2008: £276,000).

### (b) Operating lease agreements where the group is lessee

Operating leases for property are for terms ranging from ten to 50 years. Minimum lease payments are typically reviewed every five years and are based on a percentage of turnover or a negotiated rate per square foot. Most property leases are renewable at the lessee's option at the end of the lease term. Equipment is leased over terms of up to five years.

Future minimum rentals payable under non-cancellable operating leases are as follows:

| | Group and company | |
|---|---|---|
| | **2009** | 2008 |
| | **£000** | £000 |
| Not later than one year | **2,296** | 2,173 |
| Later than one year and not later than five years | **7,089** | 7,448 |
| Later than five years | **21,235** | 22,251 |
| | **30,620** | 31,872 |

Future minimum rentals receivable from non-cancellable subleases on the above properties as at 28 March 2009 were £2,293,000 (2008: £1,985,000).

### (c) Operating lease agreements where the group is lessor

The group leases licensed properties to third party tenants. These non-cancellable lease terms are over terms varying from three to 25 years.

Future minimum rentals receivable under non-cancellable operating leases are as follows:

| | Group and company | |
|---|---|---|
| | | Restated |
| | **2009** | 2008 |
| | **£000** | £000 |
| Not later than one year | **3,202** | 3,891 |
| Later than one year and not later than five years | **4,333** | 4,137 |
| Later than five years | **7,279** | 4,366 |
| | **14,814** | 12,394 |

The comparative figures have been restated to correct an error in classification last year.

## 31. Post balance sheet events

There were no post balance sheet events.

## 32. Contingent liabilities

There were no contingent liabilities at the balance sheet date.

# Five year review

| | IFRS | | | UK GAAP | |
|---|---|---|---|---|---|
| | **2009** | 2008 | 2007 | 2006 | 2005 |
| | **£000** | £000 | £000 | £000 | £000 |
| **Revenue** | **126,091** | 122,124 | 114,602 | 123,873 | 119,532 |
| **Operating profit before exceptional items** | **20,546** | 20,858 | 15,388 | 13,492 | 13,676 |
| Share of associate's post tax results | **(2,533)** | (1,322) | 104 | – | – |
| Exceptional items and discount of site proceeds | **(10,519)** | 2,889 | (3,314) | (2,644) | (752) |
| Debenture redemption | **–** | (6,817) | – | – | – |
| Net finance costs and other finance income | **(3,281)** | (3,988) | (3,453) | (3,346) | (3,605) |
| **Profit before taxation** | **4,213** | 11,620 | 8,725 | 7,502 | 9,319 |
| Tax expense | **(2,988)** | (4,023) | (3,919) | (2,958) | (3,135) |
| **Profit from continuing operations** | **1,225** | 7,597 | 4,806 | 4,544 | 6,184 |
| **Profit from discontinued operation** | **849** | 3,105 | 34,717 | – | – |
| **Profit for the year** | **2,074** | 10,702 | 39,523 | 4,544 | 6,184 |
| **Adjusted profit before tax** | **19,157** | 18,588 | 12,018 | 10,146 | 10,071 |
| **Net assets employed** | | | | | |
| Non-current assets | **280,028** | 277,631 | 252,935 | 217,526 | 212,455 |
| Current assets & assets held for sale | **8,846** | 10,461 | 74,406 | 11,032 | 11,293 |
| Current liabilities | **(20,505)** | (30,543) | (81,568) | (19,502) | (17,790) |
| Non-current liabilities | **(104,158)** | (81,278) | (73,364) | (66,391) | (69,567) |
| | **164,211** | 176,271 | 172,409 | 142,665 | 136,391 |
| **Financed by** | | | | | |
| Equity share capital | **6,028** | 6,028 | 6,028 | 6,028 | 6,028 |
| Reserves | **158,183** | 170,243 | 166,381 | 136,637 | 130,363 |
| | **164,211** | 176,271 | 172,409 | 142,665 | 136,391 |
| **Purchase of fixed assets and investment in associate** | **24,487** | 38,055 | 56,755 | 13,451 | 15,526 |
| **Per 12.5p ordinary share** | | | | | |
| Adjusted earnings | **27.77p** | 26.28p | 17.49p | 14.68p | 14.65p |
| Basic earnings | **2.55p** | 16.04p | 10.35p | 9.85p | 13.50p |
| Dividends – paid in year | **12.62p** | 10.84p | 7.73p | 6.06p | 5.76p |
| **Gearing** | **39.8%** | 28.3% | 58.9% | 38.1% | 38.8% |
| **Average number of employees** | **2,084** | 2,261 | 2,281 | 2,110 | 2,044 |

The figures for 2008, but not earlier years, have been restated for the release of deferred tax liabilities on the impairment of property and brands and for the adjustment to the deferred tax liability on industrial buildings allowances, as detailed in note 11(f).

The figures for 2007, but not earlier years, have been adjusted for the adoption of IFRS.

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

The figures for 2005 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 comparatives have been restated to reflect the four for one share split in 2008.

# Notice of meeting

**If you hold any A shares, this notice is important and requires your immediate attention. If you are in any doubt as to any aspect of the proposals referred to in this notice or as to the action you should take, you should seek your own advice from a stockbroker, solicitor, accountant or other professional adviser. If you have sold or otherwise transferred all of your shares, please pass this copy of the annual report, and any proxy form that came with it, to the purchaser or transferee, or to the person who arranged the sale or transfer so they can pass it or them to the person who now holds the shares.**

If you hold any A shares, you should have received with this document a proxy form for use at the meeting. Guidance notes on how to complete it, and on other matters, are given on the form itself and in the notes to this notice. Whether or not you propose to attend the meeting, please complete and submit the proxy form. It must be received by Computershare Investor Services PLC by 11.30am on Sunday, 12 July 2009. Appointing a proxy does not stop you from attending the meeting and voting. An admission card is attached to the proxy form; please bring this with you to the meeting.

**If you do not hold any A shares, this notice is for information purposes only.**

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Notice is hereby given that the 120th annual general meeting of Young & Co.'s Brewery, P.L.C. (the "company") will be held in the Civic Suite in Wandsworth Town Hall, Wandsworth High Street, Wandsworth, London SW18 2PU on Tuesday, 14 July 2009 at 11.30am for the following purposes:

**Ordinary resolutions**
To consider and, if thought fit, to pass the following resolutions which will be proposed as ordinary resolutions:

1. To receive the company's annual accounts for the financial year ended 28 March 2009, together with the directors' report and the auditors' report on those accounts and that directors' report.

2. To declare a final dividend of 6.63p per share for the financial year ended 28 March 2009.

3. That Ernst & Young LLP be, and is hereby, re-appointed as the company's auditor for the financial year starting 29 March 2009.

4. That the directors be, and are hereby, authorised to fix the remuneration of the company's auditors.

5. That Christopher Sandland be, and is hereby, re-appointed as a director.

6. That Torquil Sligo-Young be, and is hereby, re-appointed as a director.

7. That Peter Whitehead be, and is hereby, re-appointed as a director.

8. That Roger Lambert be, and is hereby, re-appointed as a director.

9. That David Page be, and is hereby, re-appointed as a director.

10. That, in accordance with section 366 of the Companies Act 2006, the company and all companies that are subsidiaries of the company at any time during the period for which this resolution has effect be, and are hereby, authorised to:
    (a) make political donations to political parties, not exceeding £50,000 in total;
    (b) make political donations to political organisations other than political parties, not exceeding £50,000 in total; and
    (c) incur political expenditure, not exceeding £50,000 in total;
    in each case at any time during the period starting with the date this resolution is passed and ending at the end of next year's annual general meeting (or, if earlier, midnight on 30 September 2010) but the aggregate amount of political donations and political expenditure that may be made and incurred by the company and its subsidiaries pursuant to this authority must not exceed £50,000.

    *Note: for the purposes of this resolution, "political donation" has the meaning given in section 364 of the Companies Act 2006, "political expenditure" has the meaning given in section 365 of the Companies Act 2006 and reference to a "political party" or to a "political organisation" is to a party or to an organisation to which Part 14 of the Companies Act 2006 applies.*

11. That the authorised share capital of the company be, and is hereby, increased from £8,500,000 to £14,065,332 (divided into 61,213,328 A ordinary shares of 12.5p each and 51,309,328 non-voting ordinary shares of 12.5p each) by the creation of (a) 21,213,328 A ordinary shares of 12.5p each, each ranking pari passu in all respects with the existing A ordinary shares of 12.5p each, and (b) 23,309,328 non-voting ordinary shares of 12.5p each, each ranking pari passu in all respects with the existing non-voting ordinary shares of 12.5p each.

12. That the directors be, and are hereby, authorised to allot relevant securities (as defined in the Companies Act 1985):
   (a) up to a nominal amount of £2,009,333; and
   (b) if resolution 11 is passed, comprising equity securities (as defined in the Companies Act 1985) up to a nominal amount of £4,018,666 (after deducting from such limit any relevant securities allotted under paragraph (a) above) in connection with an offer by way of a rights issue:
      (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
      (ii) to holders of other equity securities as required by the rights of those securities or, as the directors otherwise consider necessary, and so that the directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter,

   such authority or authorities to apply until the end of next year's annual general meeting (or, if earlier, until midnight on 30 September 2010) but, in either case, so that the company may make offers and enter into agreements during the relevant period which would, or might, require relevant securities to be allotted after the relevant authority ends and the directors may allot relevant securities under any such offer or agreement as if the relevant authority had not ended.

**Special resolutions**
To consider and, if thought fit, to pass the following resolutions which will be proposed as special resolutions:

13. That if resolution 12 is passed, the directors be, and are hereby, given power to allot equity securities (as defined in the Companies Act 1985) for cash under the authority or authorities given by that resolution and/or where the allotment constitutes an allotment of equity securities by virtue of section 94(3A) of the Companies Act 1985, free of the restriction in section 89(1) of the Companies Act 1985, such power to be limited:
   (a) to the allotment of equity securities in connection with an offer of equity securities (but in the case of the authority granted under paragraph (b) of resolution 12, by way of a rights issue only):
      (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
      (ii) to holders of other equity securities, as required by the rights of those securities or, as the directors otherwise consider necessary, and so that the directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and
   (b) in the case of the authority granted under paragraph (a) of resolution 12, to the allotment (otherwise than under paragraph (a) above) of equity securities up to a nominal amount of £301,400,

   such power to apply until the end of next year's annual general meeting (or, if earlier, until midnight on 30 September 2010) but during this period the company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted after the power ends and the directors may allot equity securities under any such offer or agreement as if the power had not ended.

14. That the company be, and is hereby, generally and unconditionally authorised for the purposes of section 166 of the Companies Act 1985 to make market purchases (within the meaning of section 163(3) of that Act) of any of its own shares from time to time on such terms and in such manner as the directors may from time to time determine but:
   (a) the maximum aggregate number of shares that may be purchased (which may be all of one class or a mix of classes) is 4,822,400; and
   (b) in each case exclusive of the expenses of purchase (if any) payable by the company, the minimum price that may be paid for any share is its nominal value and the maximum price that may be paid for any share is an amount equal to 105 per cent. of the average of the middle market quotations for the share as derived from the AIM appendix to the London Stock Exchange's Daily Official List for the five business days immediately before the day on which the share is contracted to be purchased,

   such authority to apply until the end of next year's annual general meeting (or, if earlier, until midnight on 30 September 2010) but during this period the company may make contracts to purchase shares which would, or might, be executed wholly or partly after the authority ends and the company may make a purchase of shares in pursuance of such a contract as if the authority had not ended.

15. That with effect from 00.01am on 1 October 2009:
   (a) the company's articles of association be amended by deleting all the provisions of the company's memorandum of association which, by virtue of section 28 of the Companies Act 2006, are to be treated as provisions of the company's articles of association; and
   (b) the articles of association produced to the meeting and initialled by the chairman of the meeting for the purpose of identification be adopted as the articles of association of the company in substitution for, and to the exclusion of, the existing articles of association.

27 May 2009
By order of the Board

**Anthony Schroeder**
Company Secretary

Young & Co.'s Brewery, P.L.C.
Registered office:
Riverside House,
26 Osiers Road,
Wandsworth,
London SW18 1NH

Registered in England and Wales No. 32762

## Notes

### Entitlement to attend, speak and vote at the meeting

To be entitled to attend, speak and vote at the meeting (and for the purpose of determining the number of votes you may cast), your name must be entered in that part of the register of members relating to holders of A shares at 7.00am on Monday, 13 July 2009 (or, in the event of any adjournment, 7.00am on the day before the day of the adjourned meeting).

### What you need to bring

If you come to the meeting, please bring with you the admission card attached to the proxy form.

### Appointment of proxies

If you hold any A shares, you may appoint a proxy to exercise all or any of your rights to attend and to speak and vote on your behalf at the meeting. You can do this by completing the proxy form which came with this document. If you did not receive a proxy form and believe that you should have one, or if you require additional forms, please contact the company's registrars. To be valid, your proxy form must be received by the company's registrars no later than 11.30am on Sunday, 12 July 2009.

### Who to appoint as a proxy

A proxy does not have to be a member of the company but must attend the meeting for your vote to be counted and to otherwise represent you. Your proxy could be the chairman of the meeting, a director of the company or someone you know personally who has agreed to attend and represent you. If you appoint a proxy, you may still attend the meeting.

### Multiple proxies

You may appoint more than one proxy in relation to the meeting provided each proxy is appointed to exercise the rights attached to a different A share or A shares held by you. A space has been included in the proxy form to allow you to specify the number of A shares in respect of which that proxy is appointed. If you return the proxy form duly executed but leave this space blank, you will be deemed to have appointed the proxy in respect of all of your holding of A shares. If you wish to appoint more than one proxy in respect of your A shares, you should contact the company for further proxy forms or photocopy the form as required; you should also read the notes on the proxy form relating to the appointment of multiple proxies.

The following principles apply in relation to the appointment of multiple proxies:

(a) The company will give effect to your intentions and include votes wherever and to the fullest extent possible.

(b) Where a proxy does not state the number of A shares to which it applies (a "blank proxy") then, subject to the following principles where more than one proxy is appointed, that proxy is deemed to have been appointed in relation to the total number of A shares registered in your name ("your entire holding"). If there is a conflict between a blank proxy and a proxy which does state the number of A shares to which it applies (a "specific proxy"), the specific proxy will be counted first, regardless of the time it was sent or received (on the basis that as far as possible, the conflicting forms of proxy should be judged to be in respect of different A shares) and remaining A shares will be apportioned to the blank proxy (pro rata if there is more than one).

(c) Where there is more than one proxy appointed and the total number of A shares in respect of which proxies are appointed is no greater than your entire holding, it is assumed that proxies are appointed in relation to different A shares, rather than that conflicting appointments have been made in relation to the same A shares; that is, there is only assumed to be a conflict where the aggregate number of A shares in respect of which proxies have been appointed exceeds your entire holding.

(d) When considering conflicting proxies, later proxies will prevail over earlier proxies, and which proxy is later will be determined on the basis of which proxy is last sent (or, if the company is unable to determine which is last sent, last received). Proxies in the same envelope will be treated as sent and received at the same time, to minimise the number of conflicting proxies.

(e) If conflicting proxies are sent or received at the same time in respect of (or deemed to be in respect of) your entire holding, none of them will be treated as valid.

(f) Where the aggregate number of A shares in respect of which proxies are appointed exceeds your entire holding and it is not possible to determine the order in which they were sent or received (or they were all sent or received at the same time), the company's registrars or the company will take steps to try to clarify the situation with you should time permit. If this is not possible, none of your proxies will be treated as valid.

(g) If you appoint a proxy or proxies and then decide to attend the meeting in person and vote in person, then the vote in person will override any proxy vote. If the vote in person is on a poll and is in respect of your entire holding then all proxy votes will be disregarded. If, however, you vote at the meeting on a poll in respect of less than your entire holding, then if you indicate on your poll card that all proxies are to be disregarded, that shall be the case; but if you do not specifically revoke proxies, then the vote in person will be treated in the same way as if it were the last received proxy and earlier proxies will only be disregarded to the extent that to count them would result in the number of votes being cast exceeding your entire holding.

(h) In relation to paragraph (g), if you do not specifically revoke proxies, it will not be possible for the company to determine the intentions of you in this regard. However, in light of the aim to include votes wherever and to the fullest extent possible, it will be assumed that earlier proxies should continue to apply to the fullest extent possible.

### Changing proxy instructions

To change your proxy instructions, you need to submit a new proxy appointment – further copies can be obtained from the company. However, in doing so, you should be aware of the principles that apply to multiple proxies – see the note headed *Multiple proxies*. If you are in any doubt as to what to do where you wish to change your proxy instruction, please contact the company's registrars or your stockbroker, solicitor, accountant or other professional adviser.

### Termination of proxy appointments

If you wish to revoke your proxy instruction, you must send to the company's registrars a signed hard copy notice clearly stating your intention to revoke your proxy appointment. If you are a corporation, the revocation notice must be executed under your common seal or signed on your behalf by an officer of you or an attorney for you. Any power of attorney or any other authority under which the revocation notice is signed (or a notarially certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by the company's registrars before the start of the meeting. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject as follows, your proxy appointment will remain valid. Appointing a proxy does not stop you from attending the meeting and voting. If you appoint a proxy and attend the meeting, your proxy appointment will automatically be terminated.

### Corporate representatives

To facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate member has appointed the chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that member at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate member attends the meeting but the corporate member has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate members are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – www.icsa.org.uk – for further details of this procedure. The guidance includes a sample form of representation letter if the chairman is being appointed as described in (i) above.

### Name and address of the company's registrars

The company's registrars are Computershare Investor Services PLC. They can be contacted at PO Box 1075, The Pavilions, Bridgwater Road, Bristol, BS99 3FA.

### Display documents

The following will be available for inspection at the company's registered office during normal business hours (Saturdays, Sundays and public holidays excepted) from the date of this notice until 10.00am on the day of the meeting:

- copies of the executive directors' service contracts;
- copies of the memoranda or letters of appointment of the non-executive directors; and
- a copy of the proposed new articles of association, and a copy of the current memorandum and articles of association marked to show the changes being proposed in resolution 15.

After 10.00am on the day of the meeting, these documents will be available for inspection in the Civic Suite in Wandsworth Town Hall, Wandsworth High Street, Wandsworth, London SW18 2PU until the end of the meeting.

### Communication

Any address or number used for the purpose of sending or receiving documents or information by electronic means that is referred to in the company's annual report 2009 or any proxy form for the company's 120th annual general meeting may not be used to communicate with the company for any purpose other than any expressly stated.

# Explanatory notes to the Notice of meeting

**Notice of the 120th annual general meeting of Young & Co.'s Brewery, P.L.C. (the "company") to be held on Tuesday, 14 July 2009 is set out on pages 59 to 62. The directors consider that all the resolutions to be put to the meeting are in the best interests of the company and its shareholders as a whole; accordingly, the company's board of directors will be voting in favour of them and unanimously recommends that all A shareholders do so as well.**

**Resolutions 1 to 12 are ordinary resolutions; this means that for each of those resolutions to be passed, more than half of the votes cast must be in favour.**

Resolution 1: annual accounts and reports
The directors have to lay copies of the company's annual accounts, the directors' report and the auditors' report on those accounts and that directors' report before you at a general meeting; this is a legal requirement.

Resolution 2: final dividend
An interim dividend of 6.12p per share was paid on 19 December 2008. The directors are recommending a final dividend of 6.63p per share for the year ended 28 March 2009, bringing the total dividend for the year to 12.75p per share. Subject to approval being given, the final dividend is expected to be paid on 16 July 2009 to shareholders on the register at the close of business on 12 June 2009.

Resolution 3: re-appointment of auditor
An auditor is required to be appointed for each financial year of the company. Ernst & Young LLP, the company's current auditor, has agreed to serve for the current financial year and its re-appointment is therefore being proposed.

Resolution 4: auditor's remuneration
In accordance with normal practice, the directors are asking for your authority to determine the auditor's remuneration.

Resolutions 5-9: re-appointments of directors
At the meeting, each of Christopher Sandland, Torquil Sligo-Young and Peter Whitehead will be automatically retiring from the office of director as he held that position at the last two annual general meetings and did not retire at either of them. Roger Lambert and David Page will also be retiring automatically from the office of director at the meeting; this is because they were appointed by the board since the last annual general meeting. Each of these individuals is seeking re-appointment and his brief biographical details are on page 11.

Resolution 10: political donations etc.
This resolution seeks renewal of the existing authority for the company and its subsidiaries to make or incur certain political donations and political expenditure. Although there is no intention to make or incur such donations or expenditure, the legislation is very broadly drafted and may catch activities such as funding seminars and other functions to which politicians are invited and supporting certain bodies involved in policy review and law reform. The authority given by this resolution will be capped at £50,000 in total.

Resolution 11: increase in capital
This resolution seeks to increase the company's authorised share capital by approximately 65%, from £8,500,000 to £14,065,332. This increase is being sought solely in order to give the company sufficient authorised share capital to take full advantage of the ability to allot shares under the authorities proposed in resolution 12. Going forward, this increase will be irrelevant as, from 1 October 2009, the Companies Act 2006 will be abolishing the requirement for the company to have an authorised share capital – see the explanation given to resolution 15.

Resolution 12: general power to allot
Paragraph (a) of this resolution seeks renewal of the directors existing authority to allot shares up to an aggregate nominal amount equal to £2,009,333, representing approximately one-third of the company's issued share capital as at 26 May 2009. In line with guidance issued by the Association of British Insurers, paragraph (b) of this resolution would authorise the directors to allot shares in connection with a rights issue in favour of shareholders up to an aggregate nominal amount equal to £4,018,666, as reduced by the nominal amount of any shares issued under paragraph (a) of this resolution. This amount (before any reduction) represents approximately two-thirds of the company's issued share capital as at 26 May 2009. Paragraph (b) is conditional on resolution 11 being passed. The authorities sought under paragraphs (a) and (b) of this resolution will expire on 30 September 2010, being the last date by which the company must hold an annual general meeting in 2010, or at the end of the company's annual general meeting held in 2010, if earlier. The directors have no present intention of exercising either of the authorities sought under this resolution. As at the date of this document, no shares are held by the company in treasury.

**Resolutions 13 to 15 are special resolutions; this means that for each of those resolutions to be passed, at least three-quarters of the votes cast must be in favour.**

Resolution 13: general power to disapply
This resolution would authorise the directors to allot ordinary shares (or sell any ordinary shares which the company elects to hold in treasury) for cash without first offering them to existing shareholders in proportion to their existing shareholdings. Except as explained in relation to

paragraph (b), this authority would be, similar to previous years, limited to allotments or sales in connection with pre-emptive offers and offers to holders of other equity securities if required by the rights of those shares or as the directors otherwise consider necessary, or otherwise up to an aggregate nominal amount of £301,400. This aggregate nominal amount represents 5% of the company's issued ordinary share capital as at 26 May 2009. Allotments made under the authority in paragraph (b) of resolution 12 would be limited to allotments by way of a rights issue only (subject to the right of the directors to impose necessary or appropriate limitations to deal with, for example, fractional entitlements and regulatory matters). The authority will expire on 30 September 2010, being the last date by which the company must hold an annual general meeting in 2010, or at the end of the company's annual general meeting held in 2010, if earlier.

Resolution 14: authority for market purchases
This resolution seeks renewal of the company's existing authority to make market purchases of not more than 4,822,400 of its shares, being no more than ten per cent. of the company's issued share capital as at 26 May 2009. The authority will expire on 30 September 2010, being the last date by which the company must hold an annual general meeting in 2010, or at the end of the company's annual general meeting held in 2010, if earlier. The directors have no present intention of exercising this authority. Further, any purchases will be made only if the directors consider they would be earnings enhancing and in the best interests of the company and its shareholders as a whole. Any shares purchased under this authority will be cancelled or held as treasury shares. The company has not issued any warrants or options to subscribe for share capital.

Resolution 15: amendments to the company's articles of association
It is proposed to adopt new articles of association in order to update the company's current articles of association primarily to take account of the implementation on 1 October 2009 of the last parts of the Companies Act 2006 (the "2006 Act"). The resolution adopting the new articles will only become effective on 1 October 2009. A copy of the proposed new articles of association, showing all the changes to the current articles, is available for inspection, as referred to on page 62. The main changes being introduced in the proposed new articles are as follows:

- The company's objects
  Provisions regulating the company's operations are currently set out in its memorandum and articles of association. The memorandum contains, among other things, the objects clause which sets out the scope of the activities the company is authorised to undertake. This is drafted to give a wide scope. The 2006 Act significantly reduces the constitutional significance of the memorandum as, going forward, it will record only the names of subscribers and the number of shares each subscriber has agreed to take. Under the 2006 Act, the objects clause and all other provisions which are currently contained in the memorandum will be deemed to be contained in the articles; however, these provisions can be removed by special resolution. Further, the 2006 Act states that unless the articles provide otherwise, the company's objects are unrestricted. This abolishes the need for the company to have an objects clause and the company is therefore proposing to remove its objects clause to allow it to have the widest possible scope for its activities. Paragraph (a) confirms the removal of these provisions. As the effect of this resolution will be to remove the statement currently in the memorandum regarding limited liability, the proposed new articles contain an express statement regarding the limited liability of shareholders.

- Change of name
  Currently, the company can only change its name by special resolution. Under the 2006 Act, it will be able to change its name by other means provided for by its articles. To take advantage of this provision, the proposed new articles enable the directors to pass a resolution to change the company's name.

- Redeemable shares
  At present, if the company wishes to issue redeemable shares, it must include in its articles the terms and manner of redemption. The 2006 Act enables directors to determine such matters instead provided they are so authorised by the articles. The proposed new articles contain such an authorisation. The company has no plans to issue redeemable shares but if it did so the directors would need shareholders' authority to issue new shares in the usual way.

- Authority to purchase own shares, consolidate and sub-divide shares, and reduce share capital
  Under the law currently in force, the company requires specific enabling provisions in its articles to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital or other undistributable reserves; it also needs shareholder authority to undertake the relevant action. The current articles include these enabling provisions. Under the 2006 Act, only shareholder authority to do any of these things will be required and it will no longer be necessary for the company's articles to contain enabling provisions. Accordingly, the relevant enabling provisions are being removed in the proposed new articles.

The 2006 Act will also be abolishing the requirement for the company to have an authorised share capital. Paragraph (a) confirms the removal of this requirement and a minor change in the proposed new articles reflects this. The directors will, however, still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the 2006 Act, save in respect of employee share schemes.

# Senior personnel, committees and advisers

## Directors

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

Stephen Goodyear
Chief executive

Torquil Sligo-Young
Human and information resources

Peter Whitehead, F.C.A.
Finance

Patrick Dardis
Retail

Nicholas Bryan, B.A., F.C.A.
Non-executive senior independent director

Roger Lambert, M.A.
Non-executive

David Page
Non-executive

## Company secretary

Anthony Schroeder

## Audit committee

Nicholas Bryan (chairman)
Roger Lambert
David Page

## Remuneration committee

Nicholas Bryan (chairman)
Roger Lambert
David Page

## Auditor

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

J.P. Morgan Cazenove Limited
20 Moorgate
London EC2R 6DA

## Solicitors

Bryan Cave
88 Wood Street
London EC2V 7QS

Slaughter and May
One Bunhill Row
London EC1Y 8YY

Wragge & Co
55 Colmore Row
Birmingham
B3 2AS

# 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.investorcentre.co.uk/contactus

## Share dealing service

J.P. Morgan 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

## Proposed financial diary 2009

10 June 2009
Ex-dividend date for final dividend

12 June 2009
Record date for final dividend

14 July 2009
Annual general meeting

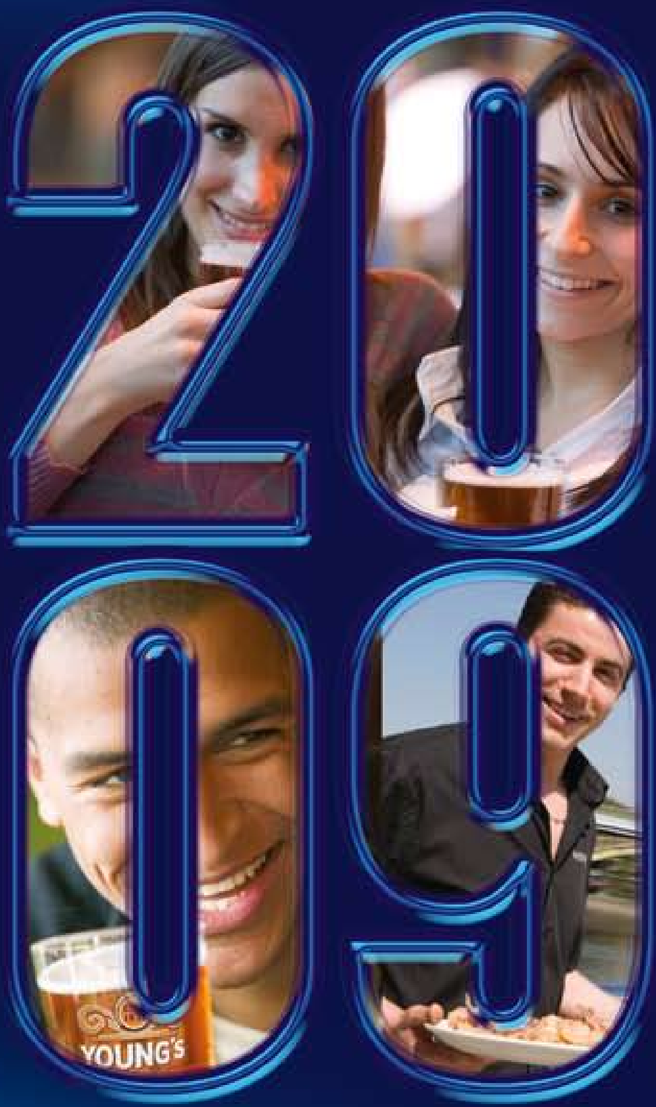
16 July 2009
Payment of final dividend

19 November 2009
Interim results announcement

2 December 2009
Ex-dividend date for interim dividend

4 December 2009
Record date for interim dividend

18 December 2009
Payment of interim dividend

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