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ers Inn Bridge Hotel Britannia Brook Green Hotel Buckingham  
apes Candlemaker Canonbury Carnarvon Arms Castle Chelse  
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nor Crown Hotel Curtains Up Cutty Sark Defectors Weld Depo  
cks Duchess of Kent Duke of Cambridge Duke of Clarence Duk  
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e Owl and Pussycat Oyster Shed Park Hotel Paternoster Penn  
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d Crown Seagate Hotel Shaftesbury Ship Smiths of Smithfiel  
Tavern Surprise Swan Theodore Bullfrog Trafalgar Arms Trinit  
le Wheatsheaf White Bear White Cross White Hart White Hors  
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d Arms Fountain Inn Fox and Hounds Gardeners Grand Junctio  
kers Hope Horse Pond Inn Jolly Gardeners Lord Nelson Lor  
Old House Old Inn Old Sergeant People's Park Tavern Pig an  
y Bell Railway Telegraph Rattlebone Inn Red Cow Rising Su  
ge Royal Oak Ship Ship Inn Spread Eagle Square Tavern Surpris  
es Unicorn Hotel Waqgon & Horses Watermans Arms White Ha

ANNUAL REPORT

FOR THE 52 WEEKS ENDED 1 APRIL 2019

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View our Annual Report 2019 on our website:  
[www.youngs.co.uk/investors](http://www.youngs.co.uk/investors)

## Financial highlights

	<b>2019</b>	<b>2018</b>	<b>%</b>
	£m	£m	CHANGE
Revenue	<b>303.7</b>	<b>279.3</b>	<b>+8.7</b>
Adjusted operating profit <sup>(1)</sup>	<b>48.5</b>	<b>46.9</b>	<b>+3.4</b>
Operating profit	<b>44.6</b>	<b>43.5</b>	<b>+2.5</b>
Adjusted profit before tax <sup>(1)</sup>	<b>43.4</b>	<b>41.0</b>	<b>+5.9</b>
Profit before tax	<b>39.5</b>	<b>37.6</b>	<b>+5.1</b>
Net cash generated from operations	<b>69.2</b>	<b>61.4</b>	<b>+12.7</b>
Adjusted basic earnings per share <sup>(1)</sup>	<b>72.13p</b>	<b>67.74p</b>	<b>+6.5</b>
Basic earnings per share	<b>64.36p</b>	<b>61.60p</b>	<b>+4.5</b>
Dividend per share (interim and recommended final)	<b>20.78p</b>	<b>19.61p</b>	<b>+6.0</b>
Net assets per share <sup>(2)</sup>	<b>£12.12</b>	<b>£11.24</b>	<b>+7.8</b>

All of the results above are from continuing operations.

<sup>(1)</sup> Reference to an "adjusted" item means that item has been adjusted to exclude exceptional items (see notes 9 and 10).

<sup>(2)</sup> Net assets per share are the group's net assets divided by the shares in issue at the period end.

In this report, unless the context otherwise requires, reference to "the company" or to "Young's" is to Young & Co.'s Brewery, P.L.C., and reference to the "group" is to the group of companies of which Young's is the parent company.



## Chairman's statement



**Stephen Goodyear**, Chairman

It has been another highly successful period of trading which included the fantastic early summer weather and was capped off with Young's making its most significant acquisition since 2010, with the purchase of the Redcomb group and its 15 pubs in January 2019.

**+8.7%**  
Revenue

**£67.1**  
million  
invested

**22<sup>nd</sup>**  
consecutive  
increase of  
dividend

In total, group revenue was up 8.7% to £303.7 million, underpinned by our strong managed house like-for-like sales growth of 5.1%. Our well-invested and premium managed houses were well placed to capitalise on the key trading periods of the year. The Ram Pub Company has also had a highly successful year, with like-for-like sales growth of 5.0%.

The ongoing margin pressures facing the industry are well documented and we are not immune to these; however, our strong EBITDA margin performance of 24.0% remains one of the highest in the sector. The year saw us achieve record adjusted EBITDA of £72.8 million (2018: £68.7 million), an increase of 6.0%. Adjusted basic earnings per share increased by 6.5% and at the year-end stood at 72.13 pence per share; on an unadjusted basis, basic earnings per share were at 64.36 pence per share.

A core characteristic of Young's success in recent years has been the consistent investment for future growth through a combination of acquisitions and investment in our estate which is made possible by our strong cash generation. In the year, we invested a total of £67.1 million; this included the acquisition of the 15 Redcomb pubs, as well as two further standalone managed pubs. With one eye on our future pipeline we also acquired the People's Park Tavern (Hackney), a tied freehold pub now within our tenanted estate, and the freehold of a Lloyds Bank site in Farnham. Following another year of increased investment, encouragingly the business remains conservatively financed with net debt of £163.6 million (2018: £140.5 million), being 2.2 times adjusted EBITDA (2018: 2.0 times).

We have made two improvements to our financing arrangements. First, we used the £25 million accordion within our revolving credit facility, extending our long-term borrowing capacity to £200 million. Secondly, following the end of the financial year, we secured additional long-term debt financing through a private placement; this will see us raise £35 million in July 2019 at a fixed interest rate of 3.30% for 20 years. This secured financing provides us with additional financial headroom at enhanced long-term rates and allows us to refinance part of the group's bank debt whilst continuing to invest in the business and make further acquisitions.

Brexit-related uncertainty and the current impasse in Parliament continues to remain an issue for the entire economy, although we are yet to see any material impact on our business. Longer term, we believe that whatever the outcome of Brexit, London, home to the majority of our pubs, will continue to thrive as a major cosmopolitan city.

We have a proven and winning strategy of maintaining and operating a differentiated, premium and well-invested pub estate, focussed on London and Southern England. Hospitality is at the heart of our economy and we continue to believe in the individuality and the power of each Young's pub, often at the heart of their communities. Our record level of adjusted EBITDA is testament to this proven formula of owning and managing pubs that our customers continue to frequent and enjoy. Elsewhere we continue to invest in our people and technology, recognising how integral they are to our long-term success.

On the back of another good set of results, the board is delighted to recommend our 22<sup>nd</sup> consecutive annual dividend increase, this time by 6.0% again, to 10.81 pence. If approved by shareholders, this will result in a total dividend for the year of 20.78 pence (2018: 19.61 pence) and it is expected to be paid on 11 July 2019 to shareholders on the register at the close of business on 7 June 2019.

Finally, following an extensive search, we are delighted that Mike Owen will be joining the Young's team as Chief Financial Officer in September. With over 10 years' experience in the drinks and pub sector, Mike comes with an intimate knowledge of the industry and will bring a fresh perspective to the finance function. I would like to take this opportunity to thank Steve Robinson for his contribution to Young's over the past 9 years, and more recently Daniel Quint for the dedication he has shown in his role as interim CFO. We wish them both well for the future.

**Stephen Goodyear**  
Chairman  
22 May 2019

# Our strategy and business model

## Our Strategy – How we grow

We look to grow through a combination of investing in our existing pub estate, opportunity-led acquisitions and our people.

Each year, on average, we reinvest about two thirds of the cash we generate. Much goes back into our existing estate in the form of transformational developments and maintenance to the high standard our customers expect. In carrying out developments, we look to improve current trading area efficiencies and increase each pub's trading space; the latter can see upper parts converted into accommodation, function rooms and roof top bars; basements become cocktail bars and outdoor spaces turned into beautiful gardens with Burger Shacks.

Risk link

9 10

We also invest in hand-picked acquisitions, based in locations where we feel our style of operation will thrive, as well as benefitting the surrounding area. All acquisitions have to pass our strict internal investment criteria. Through our experience and expertise, we assess what we believe an acquisition can realistically achieve; what it may currently be doing is often less relevant.

Risk link

5 9

We believe in investing in our people, nurturing our own talent, so they are able to continue to grow our businesses by surprising and delighting our customers.

Our individually-tailored development programmes allow people at every level in our business to explore opportunities and we encourage the entrepreneurial spirit that has ensured our place as industry leaders. Entrepreneurs can be a rare commodity in the hospitality industry and getting the right fit for both parties can be a challenge as well as time consuming and expensive. Promoting our internally-developed talent pool therefore ensures our future leaders know who we are and what we stand for, giving us and our teams a head start in growing our business and increasing our productivity.

Risk link

9 11

The risk links reference to *Principal risks and uncertainties* on pages 8 and 9.

## Our Business Model – How we create value

We run a predominantly freehold estate and we intend to keep it that way. We believe freehold assets give us greater control and opportunities within our business, whether this is, for example, insulating us against potential rent increases or providing us with greater freedom to do up and improve our pubs. A predominantly freehold backed estate also enables us to negotiate better terms with lenders, whilst allowing us to also benefit from increases in property values.

Risk link

5 9 10

Within our managed segment, we operate differentiated, premium, mostly drink-led pubs in London and Southern England. Our locations are mainly in areas that have a high proportion of affluent and discerning customers derived through a mixture of residential, leisure and work where our premium product offerings is greater suited.

Risk link

1 6

Our revenue mix is 66.4% drink, 29.0% food and 4.6% accommodation. Although food is an important part of our offer, we run pubs, not restaurants, which can be more labour intensive. Our drink-led offer is supported by our locations which are often within walking distances of public transport links.

Risk link

1 6 8

We also run a small quality tenanted estate which extends our reach into other geographical areas. Our tenanted estate allows us to work in partnership with engaging entrepreneurs to run sustainable businesses. Tenanted pubs are less labour intensive than managed houses, increase our buying power with suppliers and are cash generative. They also allow us to acquire freehold pubs with tenants in situ that we can service through our tenanted operation and, when the time is right for both parties, transfer these pubs into our managed estate.

Risk link

1

We use the combined buying power of our managed and tenanted estates to source the best products for the best prices from a small number of suppliers – we buy predominately British produce, supporting the local communities we operate in. Although the suppliers we use stretch across the estate, our general managers are given the freedom and flexibility within guidelines to run the pubs to best fit and contribute to the communities in which they reside. This individuality is supported by the uniqueness of the pub designs which don't follow a particular format or concept but have a welcoming, cosy theme to offer our customers that home-away-from-home feel.

Risk link

2 6 11

## Chief executive's review



**Patrick Dardis**, Chief Executive

I am delighted to announce another strong set of results, driven by our well-invested, premium managed house estate that continues to operate at the highest standards in the industry.

**+5.1%**  
Like-for-like  
revenue

**269**  
pubs

Adjusted  
profit before tax  
**£43.4**  
million

Our riverside locations, beautiful gardens and growing number of roof terraces meant the business was well placed to take advantage of the fabulous summer weather and the performance of the England football team at the FIFA World Cup. The Christmas trading period was also very strong, with Young's pubs packed full of seasonal cheer and merriment.

Total revenue was up 8.7% to £303.7 million, yet again underpinned by our managed house like-for-like performance, enhanced by complementary, eye-catching acquisitions. Through strong conversion, profit before tax was up 5.1% to £39.5 million or up 5.9% to £43.4 million once adjusted for exceptional items.

Group operating margins of 16.0% were maintained once again at a high level for the industry, albeit slightly lower than last year (2018: 16.8%). This reflects a significant amount of investment over the past 18 months for long-term growth, both in our existing estate and acquisitions, including the recently added Redcomb pubs, as well as the external cost pressures facing the industry.

### Established, expanding and consistent

The main driver of the group performance was our managed house division, which now makes up 95.6% of turnover, where like-for-like sales in the period were up 5.1%. This represents the eighth consecutive year of increases over 4.2% and is a great indicator of our strength and resilience over a sustained period of time. Our strong results are a testament to the quality of our incredible people who bring our premium pubs to life and demonstrate that our strategy continues to deliver.

In January we acquired 15 pubs through our purchase of the Redcomb pub group. They complement the existing Young's managed house estate both in and around London, as well as build on a growing presence in the South West. Each of the pubs has a premium offering and distinct personality that differentiates it in its local market. All with individual qualities, the pubs possess tremendous opportunities for future growth through expanding the trading space, improved operational excellence and by introducing the unique Young's style.

We acquired three more pubs during the year. Through our ongoing partnership with Berkeley Homes we opened the Naturalist (Hackney), a long leasehold, along with two freehold purchases: the Plantation (Poole), which also contributed to our growing bedroom stock with ten bedrooms, and the People's Park Tavern, which will be 'warehoused' in the Ram Pub Company and in the future provides a fantastic opportunity for a managed pub. Following these investments, our total pub count at the end of the year stood at 269, split with 199 of those as managed houses and the remaining 70 operating under the Ram Pub Company. At the same time, we have increased our managed room stock by 88, or 15.2%, to 668 rooms.

Within the existing estate, we have also made significant investment. The two hotels acquired at the end of the last financial year, the Park (Teddington) and the Bridge (Chertsey), have both recently completed transformational refurbishments to their pub offer, bringing them in line with the Young's standard. We also started on site at

# Chief executive's review

Continued



the Dog & Fox (Wimbledon Village) where work has begun on adding 11 new hotel rooms and a dedicated function space, and close to my heart, in March we re-opened the Hand in Hand (Wimbledon Village), the pub where I pulled my first pint. Amongst many others, these great projects will make significant contributions in the year ahead.

## Strong performance in a challenging environment

The current economic and political climate remains a challenge, and with each year the costs to our business increase; I am delighted, despite this, that the Young's team has delivered these results. Total adjusted operating profits are at a record high of £48.5 million, up by 3.4%, with an operating margin for the year of 16.0%. In the last year our managed and tenanted businesses both performed strongly and we have once again delivered results at the forefront of the industry.

In our pubs it is our general managers and their teams who deliver premium value for our customers. They are some of the very best people in the industry and really understand how to run differentiated pubs within a

supportive framework. Forever the face of our business, we are constantly looking to increase the amount of time they spend coaching their teams and focussing on our customers. Managers in offices don't grow profitable sales; it's managers interacting with customers, working on the atmosphere and the quality of our offer, ensuring we deliver outstanding service who do.

## Investment in technology

To match the investment in our pubs we are continually upgrading our technology to improve our offer and productivity. Following last year's successful roll out of our new till software across the estate, we have gained a greater understanding of what our customers want. We have re-launched our app, "Young's On Tap", which included new bar tab features to add to the experience of a Young's pub. Online, our websites play an important role in the customer journey and we have made significant developments enhancing their functionality and improving the interaction with our customers. We have seen an increase in organic traffic, reached new customers and improved booking conversions through the new concierge style events

functionality. We will continue to evolve our digital offer to ensure we are serving our customers most effectively.

## Outlook

We have welcomed a warm Easter and Varsity Boat Race, both falling in April this year, as we were up against a very positive start to last year when temperatures during April and the early May Bank Holiday reached 30 degrees. For the last thirteen weeks our total sales were up 9.4%, and like-for-like sales were up 2.6% reflecting the tough comparatives.

The two new hotels added last year, the Park and the Bridge, are open and trading strongly following their recent investment. We will be investing in a number of the newly acquired Redcomb pubs over the course of the year, although the focus for now is on ensuring a smooth operational transition.

Since the year-end we have opened the Depot (Kidbrooke Village) which is a roaring success with the locals, another pub as part of our successful partnership with Berkeley Homes. In April, we transferred the New Inn (Ealing) from the Ram Pub Company into the managed house division; the true benefit of this will come later in the year following a planned refurbishment.

Looking ahead, the amazing weather throughout the summer of 2018 and England's World Cup success sets a high benchmark. It has been a busy period of acquisitions and investment in our estate, and we are excited about the opportunities to unlock that potential.

A handwritten signature in black ink, appearing to read 'P Dardis', written in a cursive style.

**Patrick Dardis**  
Chief Executive  
22 May 2019

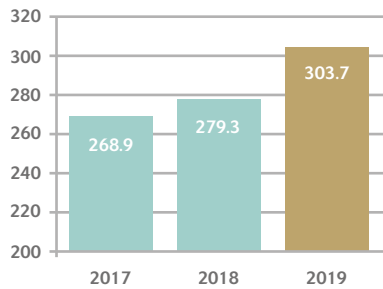


# How we performed

We measure the development, performance and position of our business against a number of key indicators. The reference to an "adjusted" item means that item has been adjusted to exclude exceptional items. These alternative performance measures have been provided to help investors assess the group's underlying performance.

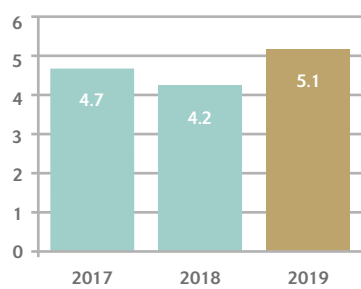
### Revenue £m

This is our total group revenue, including both managed and tenanted businesses.



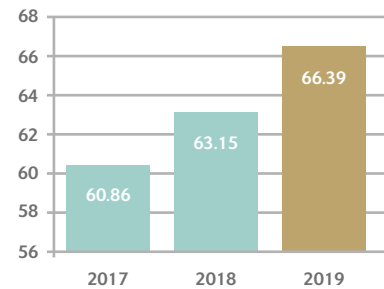
### Like-for-like revenue %

This is our revenue growth for this period compared with the previous period for our managed pubs and hotels that traded throughout both periods.



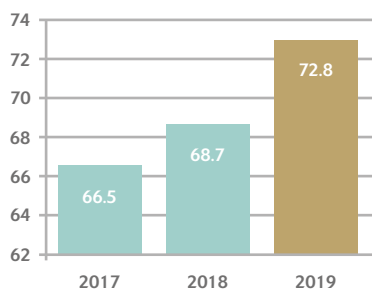
### Like-for-like RevPAR £

This is our like-for-like revenue per available bedroom; it is the average room rate achieved multiplied by the occupancy percentage.



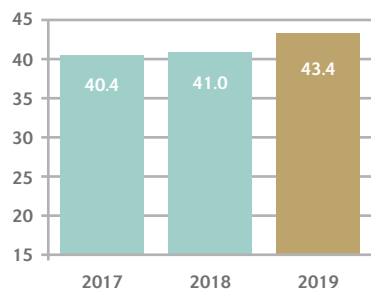
### Adjusted EBITDA £m

This is our earnings before interest, taxes, depreciation and amortisation adjusted to exclude any exceptional items for the group. (See notes 9 and 10).



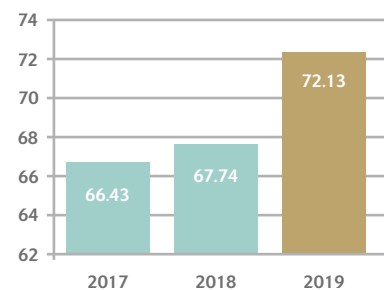
### Adjusted profit before tax £m

This is our profit before tax on continuing operations only, adjusted to exclude any exceptional items for the group. (See notes 9 and 10).



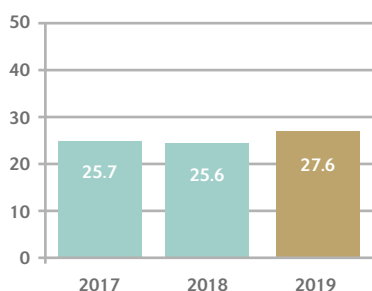
### Adjusted earnings per share (pence)

This is our adjusted profit before tax, but after tax has been deducted, divided by the weighted average number of ordinary shares in issue. (See notes 9 and 15).



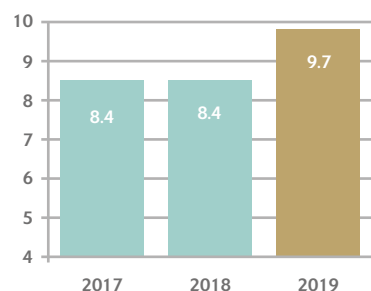
### Gearing %

This is our net debt divided by our net assets (expressed as a percentage).



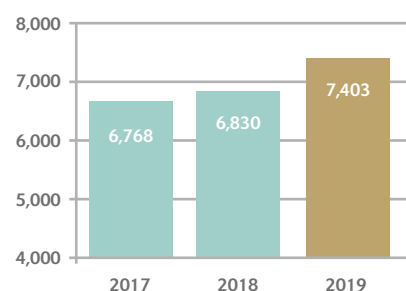
### Interest cover (times)

This is our adjusted operating profit divided by our finance costs.



### Recycling (tonnes)

This is the amount of waste we recycle and divert from landfill.



## Principal risks and uncertainties

The principal risks and uncertainties facing the group are listed below. It is not an exhaustive list of all significant risks and uncertainties; some may currently be unknown and others currently regarded as immaterial could turn out to be material. Further information on the group's financial risk management objectives and policies are set out in note 22 starting on page 68.

	RISK/UNCERTAINTY	POTENTIAL IMPACT	MITIGATION	CHANGE IN RISK/UNCERTAINTY
CONSUMER-RELATED	<p>1. Our revenue is largely dependent on consumer spending within our managed estate. A consumer's decision to spend their money can be affected by a broad range of matters (including confidence in the economy, the weather, fears of terrorist activity and greater awareness of the potential adverse health consequences associated with alcohol), all set against a background of an ever-increasing choice of where to go and what to do.</p>	<p>A reduction in our revenue could lead to lower profits.</p>	<p>Our pubs and hotels are mainly spread throughout London and Southern England, with the majority inside the M25. Through them, we provide a hospitable and welcoming home from home, often at the heart of the local community. They benefit from customer-focussed designs, high service standards, quality food and market-leading drinks (including non-alcoholic options), all of which matter to the discerning consumer. By having a mix of excellent riverside, garden and city pubs and hotels, we seek to address the impact of seasonality and changes in consumers' spending habits.</p>	●
	<p>2. Various factors may result in the amount we pay for our key supplies (including food, drink, gas and electricity) and labour being increased. Following on from the Government's introduction of the National Living Wage, the hourly rate was increased to £8.21 (from £7.83) with effect from 1 April 2019, with annual stepped increases, announced each year, to follow. Increased costs could potentially make our offer less attractive to consumers if they are passed on. See also 11 below.</p>	<p>A reduction in our revenue and/or an increase in our costs will have an impact on our margins and could result in lower profits.</p>	<p>Fixed-price arrangements are in place with some of our food and drink suppliers. Regarding utilities, we continually look at ways of reducing our levels of consumption; we also regularly review our energy needs and price changes in the market, and, where appropriate, we make forward purchases.</p> <p>Increased wages may result in consumers having greater capacity to absorb increased prices, but any shortfall will need to be mitigated through greater labour and other efficiency gains.</p>	●
FINANCIAL	<p>3. The pub industry is subject to a variety of taxes, including business taxes, duty on alcoholic drinks and business rates.</p>	<p>The introduction of new taxes and/or increases in the rates of existing taxes will result in lower profits.</p>	<p>As regards rates, we retain the services of specialist rating consultants who review each and every rating assessment. Appeals are lodged on our behalf where the new assessments are deemed excessive.</p>	●
	<p>4. We operate a defined benefit pension scheme, the Young &amp; Co.'s Brewery, P.L.C. Pension Scheme, that has to be funded to meet agreed benefit payments. The value of the scheme can be impacted by a variety of factors, including changes in life expectancy assumptions, lower than anticipated performances of the stock market and reduced bond yields. We also operate two defined contribution pension schemes that require minimum levels of contribution from the company set by the Government.</p>	<p>Variations in the difference in value between the assets of the defined benefit scheme and its liabilities may increase the amount we are required to pay into it in order to account for past service benefit deficits and future service benefit accruals. An increase in our contribution levels to the defined contribution schemes will result in lower profits.</p>	<p>The defined benefit scheme was closed to new entrants in 2003 and we make additional contributions over and above regular service contributions to help address any funding deficit. We also maintain a close dialogue with the scheme's trustee. To limit further the potential exposure, future service benefits accruing to remaining active members were reduced from April 2016, with member contributions being increased in tandem.</p>	●
	<p>5. Our financial structure involves bank borrowings and, from 2 July 2019, senior secured notes due 2039. The business therefore needs to generate sufficient cash to repay these debts with accrued interest. Interest rates are also subject to change. See also 11 below.</p>	<p>Our ability to trade as a going concern depends on us generating sufficient cash to meet these repayments.</p>	<p>The group's debt profile is long-dated, facilities are committed and debt is carefully managed within financial covenants. A mix of debt at fixed and variable interest rates is also maintained, with interest rate swaps used to assist in managing this exposure.</p>	●

## KEY TO CHANGE IN THE RISK/UNCERTAINTY LEVEL FROM THE PRIOR PERIOD

● Decrease    ● No change    ● Increase

	RISK/UNCERTAINTY	POTENTIAL IMPACT	MITIGATION	CHANGE IN RISK/UNCERTAINTY
OPERATIONS	6. We rely on a number of key suppliers to provide our pubs and hotels with food and drink.	Supply disruption could affect customer satisfaction, leading to a reduction in our revenue, leading to lower profits and growth rates.	Food and drink is sourced from a number of suppliers. Informal arrangements are also in place such that substitute suppliers or products could be used if required. We regularly review our choice of suppliers.	●
	7. We, and particularly our managed estate, are reliant on information systems and technology for many aspects of our business, including communication, sales transaction recording, stock management, purchasing, accounting and reporting and many of our internal controls. Information systems can be at risk of failure due to technical issues and the growing threat of cyber attack.	Any failure of such systems or technology would cause some disruption, and any extended period of downtime, loss of backed up information or delay in recovering information could impact significantly on our ability to conduct business.	Firewalls and anti-virus software are installed to protect our networks. Information is routinely backed up and arrangements are in place with a third party provider to assist with data recovery. An off-site disaster recovery facility is also available should any major incident occur at Riverside House or to our systems. The IT needs of the business are regularly monitored and we invest in new technology and services as necessary.	●
	8. We are dependent on having the right people throughout our organisation: at all our pubs and hotels and also at Riverside House. See also 11 below.	Our ability to achieve our strategic and operational objectives could be affected if we are unable to attract and retain the right people with the desired skillsets.	We look to recruit and retain the best talent. The remuneration and reward packages we offer are competitive and designed to retain and motivate staff. We have training and development programmes in place so that our people have the right skills to perform their jobs successfully and achieve their full potential. Having gained "employer provider" status, which enables us to be an official training provider for apprentices, our training programme is now active and we are developing our own talent pool for the future.	●
	9. Part of our growth plan is based on acquiring and/or developing additional pubs and hotels/rooms.	If acquisitions do not take place and/or developments do not occur when planned, or at all, our desired future growth rate will be delayed or reduced.	We have relationships with a variety of third parties to ensure, as far as possible, that we are made aware of acquisition opportunities as and when they come up. We have provided a number of agents and landlords with details of our preferred site profiles.	●
REGULATION	10. We are required to meet a range of ever-increasing compliance, regulatory and health and safety obligations in the operation of our business.	A failure to comply with these obligations could damage our reputation, see us being fined, and, as regards health and safety, result in an accident or incident occurring involving injury, illness or even loss of life. All of these could possibly lead to a reduction in our revenue and lower growth rates. Increases in the cost of compliance will have an impact on our margins and result in lower profits.	We carefully monitor legislative developments, and our training programmes, policies, processes and audits are designed to promote and achieve compliance with our obligations. Health and safety audits are undertaken by a third party who also works with us to ensure changes in health and safety practices and procedures are incorporated into our business and reviewed on a regular basis. Insurance cover to help with any financial compensation that may be payable as a result of an accident or incident has been taken out.	●
BREXIT	11. The UK's decision to leave the European Union ("EU") has led to a heightened degree of uncertainty.	The introduction of trade barriers would make it costlier for the UK to do business with Europe and there is also a risk that it will become more difficult for UK businesses to hire from the EU.	We are a UK business with a predominantly UK supplier base and fixed price arrangements in place across many of those relationships. We are also an 'employer of choice' with a strong track record of retaining talent. Having gained 'employer provider' status, we are an official training provider for apprentices, thus allowing us to develop our own talent pool for the future; this is expected to help mitigate staffing issues should certain of the group's EU staff (currently representing c. 37% of the workforce) be forced to leave the UK post Brexit, albeit we are looking to support them to stay in the UK. See also 2 and 8 above.	●

## Business and financial review

### Managed houses

For our managed houses it has been a standout year. Maintaining such high performance only gets harder with each year, but our impressive like-for-like sales growth of 5.1% (2018: 4.2%) demonstrates the bedrock of consistency on which we pride ourselves. Over the last eight years our managed houses have averaged like-for-like sales growth of 5.4%.

An increase in our acquisition activity in the past 18 months has helped add to our total revenue growth, and as a result total revenue for the year was up 9.0%, to £290.3 million. The exciting purchase of Redcomb's 15 pubs has added prime locations with tremendous opportunities for sales growth. They have also brought further geographical diversity into the estate with two new locations in the South West. We also added the Plantation, a small hotel with 10 rooms on the south coast near Poole, Dorset. Aligned with our strategy of targeted quality acquisitions in the South of England, these pubs further extend the Young's reach. This now takes our managed estate to 199 pubs, including 30 hotels, and is an increase of 18 pubs compared with the previous year.

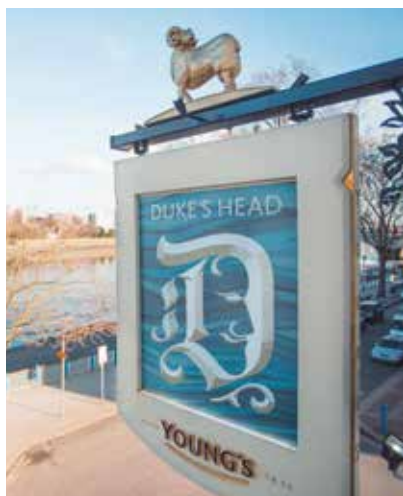
Continuing to drive and support the pubs and their teams to outperform the market is a relentless pursuit, but it's one that we embrace wholeheartedly. Our longstanding record of consistently raising the bar in our offer and accompanying results creates its own challenges, but our ambition and work ethic gives us that extra spring in our step to continue to excel.

### Revenue and profits

Sales in the first half of the year were given the perfect start as our riverside locations and beautiful gardens provided ideal locations as customers looked to bask in the sunshine for the hottest British summer on record. For many, the summer of 2018 will also be fondly remembered as football fever gripped the nation, and it wasn't just Gareth Southgate who liked to enjoy a pint of Young's Bitter, as England's success helped boost pub footfall during the

five-week tournament period. At the half year we had achieved like-for-like sales growth of 5.2%, which was maintained during the second half thanks to another exceptional Christmas season for Young's and some welcome early spring sunshine; together, this saw us close out the year with a like-for-like sales increase of 5.1%.

Through those early summer months, pubs were once again the focus for social gatherings and it was our drink sales which benefitted most. Craft lager and ale continue to grow in popularity, with craft keg ale sales increasing by 22.9%. Again, the premium choice of customers is the driving force, with the two key brands of Camden and Beavertown being the success stories, and their sales have now matched those of all cask ale. For the year, total drink sales were up 9.6% and up 6.5% on a like-for-like basis.



Cask ale remains a key part of our heritage and reputation and this year we were particularly excited to work with St Austell Brewery which now sees Proper Job sit perfectly alongside our existing Young's portfolio and our established 'local hero' products. Young's pubs offer the environment for our customers to enjoy a perfect pint of cask ale and it is important that it maintains its presence on the bar in the ever-changing pub market. To ensure the premium quality of our cask ale we closely manage our throughputs and control cellar temperatures, whilst our 'Hop Masters' training programme focuses on all things beer; from the history and process of brewing to the latest in beer trends.

At the start of the year we launched our latest gin campaign, 'Spring into Gin', where the focus and innovation were on flavour, both in the gins and mixers, adding further interest and colour. Its success alongside the popularity of the 'ginspired' premium serve balloon glass kept the Young's gin revolution rolling on, as sales rose by 35.2%, making it the sixth consecutive year with sales growth of over 20%. Our sales of gin are 34.5% of total spirit sales, and compared with the market we are over-indexed, highlighting our premium standing from this resurgent product.

We have also taken on a more premium position with our wine offer as training and marketing activity is aimed towards a 'Super 6' and 'Focus' range as part of our partnership with Berkmann Wine Cellars. We continue to benefit from their expertise, a wider range of new world wines and a more engaged workforce through the jointly run 'Grape Masters' programme. Our customers have, in turn, enjoyed the journey from traditional house wines to more complex grape varieties, most recently the rosé revolution.

Our now established 'Cocktail Collective', which focuses on delivering a selective range of quality, perfectly served cocktails, has played a significant part in another year of outstanding cocktail growth, with sales up 32.1% (2018: 46.1%). The most popular cocktail for a second successive year has been Aperol Spritz which has seen a boom of 70.0% (2018: 85.0%). Overall, spirit sales grew by 14.4%.

We remain confident in our food strategy in what continues to be a challenging marketplace. Our expert team of executive chefs work tirelessly to ensure that British, seasonal and fresh produce are at the heart of every dish we produce. With our menus continually changing with the seasons, this year we introduced the 'Famous For' strategy which allows each pub to find that something different that customers can associate them with. A fine example of this is the Windmill (Mayfair) with a nod to 'proper pub grub'; its hand crafted and traditional British seasonal pies made with homemade pastry are winners

with its customers, and last year their venison pie came highly commended at the prestigious Annual Pie Awards finishing in the top 3 of the specialty meat class. Our five Young's classics and the ultimate Sunday lunches remain at the core of our strategy. In total, food sales were up 6.1%, and up 1.7% on a like-for-like basis. With no Easter bank holidays falling in the financial year, this had a negative 0.6% pts impact on our like-for-like food sales; excluding this period they were up 2.3%.

Nowadays, in such a competitive market, consumers are spoilt for choice and expect a unique customer experience that sets itself apart from the crowd. A great example of this is the Devonshire (Balham), which, following on from last year, flipped more than burgers as it turned the successful "Balham Peaks" on its head, as the popular pop-up became the "Balham Beach Club" during the summer months. Kitted out with sand, beach hut cabanas and deck chairs, customers enjoyed summer-themed cocktails and Aperol Spritz, alongside freshly cooked burgers straight from the Burger Shack garden grill.

Hotel room sales have also had another successful year, up 5.4% on a like-for-like basis. Occupancy rates were 75.5%, up by 0.8% pts on the previous year, and RevPar increased by £3.24 or 5.1% to £66.39. Total accommodation revenue has increased by a considerable 19.6%, largely driven by the two hotels acquired at the end of the last financial year. Split across five new hotels, we have also added 88 rooms in the last twelve months, bringing our total room stock to 668. Another key part of our premium offer is the high standard of our hotel rooms. With designated capital investment set aside each year for an average of 5 hotels, improvements are made to meet the long term vision of our room quality. Projects focus on improving specifications to boutique standard, modernising bathrooms and installing air conditioning. This investment has gone a long way to helping support such healthy like-for-like sales growth.

It has been another year where we have had to combat further increases to our cost base. The well-publicised cost headwinds such as business rates, another year's instalment of the national living wage and the apprenticeship levy have added significantly to our operating costs. Over the past 18 months we have invested significantly on acquisitions, some of which are taking their time to achieve their expected returns. Despite these factors, our managed house adjusted operating profit grew by 1.3% to £61.5 million.

### Investment

In the year, we were extremely excited to acquire Redcomb Pubs, the owner and operator of 15 sites in prime locations in and around London and in the South West, increasing our coastal presence and further enhancing the Young's brand. They fit well with our strategy, which focusses on adding high quality managed houses where our premium offer will work extremely well.

Elsewhere we made other major acquisitions, openings and transfers, all of which are unique in their own way yet still at the premium end of the market. The highlights include:

- the Naturalist, a new waterside development in the regeneration area of Woodberry Down (Hackney), and another in the list of pubs opened in partnership with Berkeley Homes;
- the Plantation, further increasing our hotel room stock with the addition of 10 rooms at Canford Cliffs Beach, near to the well-known Sandbanks in Poole; and
- the Bear, now a stunning refurbished 18th century country inn, in Cobham in the heart of Surrey, transferred from the Ram Pub Company late in the financial year.

A common theme in all these acquisitions is their superb locations and future potential, both fundamental factors in our investment decisions.

During the course of the year, including acquisitions, we invested £52.2 million in our managed estate.

Significant investment was made in two of last year's acquisitions, the Park and the Bridge, with the pub and dining areas at both transformed, elevating these businesses to show the best in class, premium standards of Young's. Alongside these, we have targeted investment in our core estate, designed to update or increase trading areas with major projects undertaken at the Bull (Westfield Shepherd's Bush), Cow (Westfield Stratford), Coach & Horses (Kew), Hand in Hand, Red Barn (Lingfield), Waterside (Fulham), Wheatsheaf (Borough Market) and the White Hart (Sherfield).

### Customer engagement

Technology is such an important part of the customer experience, from the start to the end of their interaction with the pub, and we understand how vital it is to our success. This year we have re-launched our corporate website onto an updated platform to offer customers a visually more impactful experience and a smoother customer journey, as well as driving search optimisation. We are seeing the benefit of modernising our individual pub websites, resulting in above industry-average booking conversion rates and significant growth in online bookings across the pubs.

Elsewhere we have launched our new hotel booking system, facilitating a seamless customer journey. Its 7 stage booking process allows guests to tailor their stay to the occasion, whether it be adding a bottle of something bubbly in the room, reserving a table for dinner or arranging tickets for a local event.

Now in its third year, 'Young's On Tap' was re-launched with a simpler mobile payment process to enhance the customer journey and drive revenue. Our new bar tab functionality allows customers to create a digital tab via the app, order at the bar or to their table and invite guests to join their tab. When it's time to leave, payment and bill splitting can all be done through the app, giving customers flexibility while taking pressure off staff, leaving them more time to serve customers. The latest update is now able to support our centralised marketing campaigns by

# Business and financial review

Continued



providing targeted treats for users with accompanying push notifications to encourage repeat visits.

The customer journey wouldn't be complete without the interaction with our teams and the pubs themselves. This year we completed the roll out of our new enhanced till system which allows for a more interactive experience for staff as well as the infrastructure that connects with multiple third party platforms, reflecting our belief that trading is only likely to become ever more reliant on technology.

### The Ram Pub Company

It has been a strong year for the Ram Pub Company, with focus on good estate management as well as building on the opportunities that we can help to develop and support through healthy working relationships with our tenants.

We sold two pubs at the tail of the estate for combined proceeds of £1.3 million: the William IV (Bletchingley) and the King's Arms (Mitcham), whilst also exiting from our lease agreement at the Queen's Head (Stepney Green).

In early 2019, we transferred the Bear, acquired last year, to our managed house division in order to maximise its potential further, returning it to its former glory as a fantastic, local village pub. Other transfer opportunities do exist within the Ram Pub Company which we will look to harvest when the time is right for both us and our tenants.

As a result of the above movements, the Ram Pub Company ended the year with 70 pubs down from 74 in the previous year.

### Revenue and profits

In total, revenue within the Ram Pub Company was up by 3.2%, reflective of the net reduction in pubs. On a like-for-like basis, revenue growth was up 5.0%; the highest in over a decade, with growth driven from both increased beer sales as well as the rents we receive from our tenants.

Our increasing like-for-like sales, improving margins and continued

investment have resulted in total adjusted operating profit of £5.0 million, an increase of £0.6 million or 13.6%. Our average pub EBITDA was £96.4K (2018: £80.6K) and remains one of the highest in the sector.

With the good year for the Ram Pub Company, it now represents 7.5% of adjusted operating profit at pub level whilst its share of total group revenue has fallen to 4.3%.

### Investment

In December 2018, we welcomed the People's Park Tavern and its tenant into the Ram Pub Company. This attractive freehold pub has an extensive garden which backs onto the edge of Victoria Park in East London and, in time, will become another exciting future managed opportunity. Within our existing estate, we follow a structured and viable investment programme to ensure that each tenanted pub is maintained at an attractive standard to appeal to customers, current tenants and future business partners.

In the past year we've completed major developments at the Calthorpe Arms (Bloomsbury), Grand Junction Arms (Harlesden), Surprise (Lambeth), Swan Inn (Sidmouth) and the White Hart (Witley). In addition to these projects we are currently underway with the exciting development of the Ram Inn (Wandsworth) on the site of the old Ram Brewery, which will see this iconic pub restored back to its former glory. Completion and opening of the pub is due early in the new financial year.

### Tenant engagement

Our tenanted model is focussed upon developing and maintaining businesses that offer a sustainable income for individual tenants and sustainable profits for Young's. It's a partnership built on trust and a common goal. By reflecting industry codes of practice, rents can move down as well as up. Our entrepreneurial tenants, supported by our own experienced in-house team, continue to operate bespoke offerings, tailored to attract customers in the communities they serve under the strapline "Everyone's local".

## Property, treasury, going concern, retirement benefits, exceptional items and tax

### Property

Our balance sheet strength is underpinned by our predominately freehold estate in many highly desirable locations. 222 of our total 269 pubs are freehold or long leaseholds with peppercorn rents. Our total estate is now valued at £807.0 million (2018: £742.9 million). The increased value has been driven by acquisitions, major developments and improving existing pub values, especially in our London heartland, assisted by our growing trade.

Each year we undertake an exercise to revalue our pub estate to reflect current market values. Savills, an independent and leading commercial property adviser, revalued 20% of our estate, while an internal review of the remaining 80% was led by Andrew Cox, MRICS, our Director of Property and Tenancies. The valuation method used a number of inputs of which the sustainable level of trade of each pub is key.

In accordance with International Financial Reporting Standards, individual increases in value have been reflected in the revaluation reserve in the balance sheet (except to the extent that they had previously been revalued downwards) and individual falls in value below depreciated cost have been accounted for through the income statement. None of these adjustments have a cash impact.

The pub property market in London and the surrounding areas has remained strong throughout the period, which, coupled with our continued trading performance, has resulted in a net upward revaluation movement of £25.2 million (2018: £29.5 million). This is comprised of an upward movement of £25.3 million (2018: £29.2 million) reflected in the revaluation reserve and a downward movement of £0.1 million (2018: £0.3 million reversal of downward movement) recognised in the income statement under exceptional items.

# Business and financial review

Continued



## Treasury

We remain highly cash generative. Our operating cash flow was £69.2 million (2018: £61.4 million) with our premium business and predominantly freehold estate outperforming the market.

Following the acquisition of Redcomb pubs, our total net debt has increased by £23.1 million to £163.6 million. The leverage ratio impact of the Redcomb acquisition was slightly exaggerated due to the completion date falling in the last quarter of the year. Nevertheless, our net debt to adjusted EBITDA ratio remains conservative at 2.2 times (2018: 2.0 times) underpinned by our strong balance sheet, giving us opportunities to pursue our acquisition strategy. Gearing is 27.6% (2018: 25.6%).

During the year, we utilised the accordion mechanism in our revolving credit facility, extending it from £75 million to £100 million and thus bringing our year-end funding facilities to £200 million. Taken out in March 2018, the revolving credit facility, split evenly between HSBC and Barclays, initially ran until 2023. We extended the facility to 2024; a further one year option to extend to 2025 remains. All our remaining facilities are unamended. Of our drawn debt, 61.0% is on fixed interest rates.

After the end of the financial year we secured additional long-term debt financing through a private placement. This will see us raise £35 million in July 2019, with Barings receiving senior secured notes at a fixed interest rate of 3.30% for 20 years.

## Going concern

Given our long-term facilities, our freehold estate, significant free cash flow and the conservative financial ratios referred to above, we have prepared our 2019 financial statements on a going concern basis.

## Retirement benefits

We have a defined benefit pension scheme which has been closed to new entrants since 2003. During the course of the year our pension deficit has increased by £2.5 million to £8.6 million. Compared with last year, the rate of inflation has remained flat whilst we have continued our commitment with another year of special contributions, totalling £1.2 million, and we remain fully committed to ensuring the pension scheme is adequately funded.

A recent High Court judgement handed down regarding the Lloyds Banking Group's defined

benefit pension scheme will affect many pension schemes in the UK, including the company's scheme. The judgement concluded that schemes should be amended to ensure that members who have guaranteed minimum pensions receive the same benefits regardless of their gender. This change impacts on guaranteed minimum pension benefits accrued between 1990 and 1997. The trustee of the company's scheme is considering the impact of the judgement on scheme liabilities and individual members, and at 1 April 2019 this work is ongoing.

In consultation with independent actuaries, the company has estimated that the financial effect of equalising benefits is to increase the company's accounting pension deficit in the balance sheet by £2.5 million. This is required to be accounted for as a benefit change, and a non-cash charge has been recognised as a past service cost.

## Exceptional Items

Due to the size and nature of the guaranteed minimum pension charge, the £2.5 million has been presented as an exceptional item in the income





statement, making up the majority of the total £3.9 million of exceptional items.

It was another busy year on the acquisition front and the associated costs related to business combinations were £1.2 million (2018: £1.2 million). The most significant investment decision of the year was the acquisition of the Redcomb group, and there were further costs relating to the People's Park Tavern. The Bear was the latest pub to transfer across to the managed house division following its acquisition in the prior year. An early termination was also agreed with the tenant of the Bayee Village (Wimbledon Village) as part of the project at the Dog & Fox. Compensation payable to terminate their lease agreements early is expensed under IFRS, with the cost in the year of £0.5 million included within exceptional items.

The remaining exceptional items are a charge relating to the revaluation of the pub estate of £0.1 million, as mentioned previously, along with a profit on disposal of two tenanted pubs of £0.4 million.

## Tax

Our corporation tax charge for the year was £8.0 million, with a fall in our effective corporation tax rate for the year, adjusted for exceptional items, of 0.6% pts to 18.7%. The headline UK corporation tax rate remained at 19.0% and is set to reduce in future years to 17.0% from April 2020 impacting on deferred tax balances.

The group's tax strategy has been published on the Young's website in accordance with recent UK tax law.

## Shareholder returns

Having started life in 1831, Young's is a long-standing business and we are determined to continue our long-term, sustainable growth story. We continue to deliver strong performances from our existing estate and our hand-picked developments, focussing on both immediate and maintainable gains.

Our strong and sustainable cash flows support our acquisition and development programs to maintain our pubs at the premium end of the market, maximise future returns,

maintain net debt at acceptable levels and help continue our proud record of consecutive dividend increases.

This year, we are pleased to recommend raising the final dividend for the 22nd consecutive year, once again by 6.0%, this time to 10.81 pence. If approved by shareholders, this will give a total dividend for the year of 20.78 pence (2018: 19.61 pence), representing a real income increase from Young's shares.

Our adjusted earnings per share now stands at 72.13 pence per share, up 6.5%. On an unadjusted basis, earnings per share rose by 4.5% to 64.36 pence. These earnings per share figures result in a healthy dividend cover of 3.5 times and 3.1 times respectively.

On behalf of the board

**Patrick Dardis**  
 Chief Executive  
 22 May 2019

## Pub facts



Most pints of Young's Special sold in the year:  
Alexandra, Wimbledon

Owned since inception in 1831: Spotted Horse, Putney



Most coastal site:  
Boathouse, Appledore

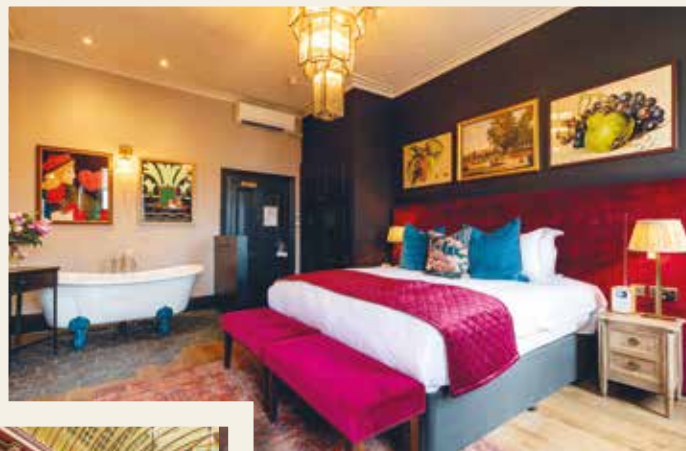
Most fish dishes sold in the year:  
Crown & Anchor, Chichester





Most gin-based drinks sold in the year:  
Ship, Wandsworth

New boutique bedrooms added at:  
Park, Teddington



Most pints of Young's Bitter sold in the year:  
Lamb Tavern, City of London

Most steak dishes sold in the year:  
Guinea, Mayfair



**We are committed to investing in our people and their future. We conduct our business in a socially and environmentally responsible manner, benefiting the communities in which we work and remembering that we are custodians of a long and proud history.**



### Our people

We have always believed that our team is our greatest asset and how we nurture and develop them is crucial in delivering our winning strategy. At 1 April 2019 we employed 4,874 (2018: 4,116) people and we see everyone's well-being as vitally important for them to enjoy and continue working with us. There are so many different aspects to personal well-being; understanding this, we made it one of our key people initiatives this past year to focus on both the mental and financial elements.

It is widely recognised that an important part of an individual's well-being stems from good financial health. From October 2018, we partnered with Salary Finance to offer support and advice to employees free of charge to help them live healthier, happier lives through the current and future financial decisions they make. Working with Salary Finance, we have also introduced a financial support programme. This aims to help our staff get out of any financial difficulties they may find themselves in by offering access to affordable loans through their salary as it is earned. Since the programme's launch, 9.2% of our employees have engaged with their team, with 2.9% of eligible employees having applied for support under the scheme offered.

Mental health is now more widely talked about in public, given greater coverage in the media and has been discussed in Parliament where there are thoughts of implementing it as part of compulsory education in the UK. In recognising its importance to our own employees, our initial key initiative has been the training of mental health first aiders from within our People Team. Further mental health training has been given to our head office employees and to those in our pubs, alongside a workshop held by the License Trade Charity on the support they can offer to people in need.

Our Management Academy, now in its 7th cycle, is aimed at setting up our future managers for success. This year we are very proud that 50 general manager vacancies have been filled through internal candidates. Not just focussed on finding the general managers of the future, our Management Academy has produced four graduates who have taken up roles in our support functions.

The government recognised that Young's apprenticeship scheme is an 18-month commitment focusing on progressing kitchen porters through to qualified chefs. Work is underway to expand our suite of available apprenticeships with the addition of a course to cover front of house staff.

### Our community

Our pubs play an important part in the heart of their communities and we are extremely proud of the continued efforts they make in this regard. The role that our pubs take on can either be financially through charitable contributions or the endless events they hold for members of their community.

This year, in the month of October, we held a coordinated charitable fundraising effort across the company with teams from the pubs and head office holding local, individual and unique events. Examples of fundraising events that took place came in all different shapes and sizes such as marathons, barrel rolling, a 'MasterChef' style cook off by head office staff, and a pyjama party. Across the month events raised almost £50,000 for a host of charities that were selected in consultation with pub customers adding to the community aspect. Chosen charities ranged from larger national charities to local not-for-profit organisations closer to home such as Shepherd's Bush Families, Glass Door Homeless Charity, Noah's Ark Children's Hospice, St George's Hospital, DT38 Foundation, Stem4 and Wimbledon Food Bank. With its success in 2018, plans are already afoot for an even bigger total in 2019.

There are many stories of how our pubs help their communities. At the Red Barn (Lingfield), the pub held a local



farmer's market charity fundraiser where people could come and showcase their local produce and crafts, with each stall donating an element of their takings. Then at the King's Head (Winchmore Hill), our manager Gary approached St. Paul's and Highfield's primary schools to see how his team could contribute to seasonal fundraising activities. As a result, they have run bars and barbecues at a number of summer fetes, with all profits going to the schools' chosen charities.

Lastly, Mick and Sarah at the Alexandra (Wimbledon), have for many years found ways to champion community work through the pub. Taking it upon themselves to help combat loneliness, their 'Meet up Monday's' served up a free lunch to any customers wanting some human contact. Its success led to them receiving an invitation to Buckingham Palace on 5 June 2018.

### Our environment

We continue to work hard to improve the environment in which we operate. Last year we again saw improvements to our recycling, with an increase of 9.4% to 7,403 tonnes (2018: 6,768 tonnes) and proudly maintained our position of sending zero waste to landfill.

We remain an active member of the Sustainable Restaurant Association and have continued, via the focus of our food strategy, to support local produce, with fresh, premium and seasonal British ingredients helping reduce our carbon footprint. We supported the local and historic fishing town of Hastings with the introduction of day boat fish landed from the quay. We also began supporting food producers who sometimes are forced to send crops straight to landfill. Now, their often underutilised or misshapen fruit and vegetables regularly appear in our dishes. Focussing on seasonal monthly specials we also deliver a variety of rare breed meats allowing our guests to taste and support these traditional English varieties.

Finally, following last year's move to biodegradable straws, we continue to look at other ways of reducing the amount of single use plastics in our business. Recently we joined the 'Simply Cups' scheme which provides a cost-effective method to the recycling of plastic drink glasses. Working with them we have deployed a collection service in several of our pubs where there is a high volume of plastic usage. There are further improvements we can make to our plastic usage and we continue to review this in conjunction with our suppliers.

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Our 2019 Strategic Report, from pages 1 to 19, was approved by the board on 22 May 2019 and it was signed on behalf of the board by:

Patrick Dardis  
Chief Executive  
22 May 2019

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# Directors' report

For the 52 weeks ended 1 April 2019

Welcome to our board of directors. All of the directors served throughout the period; no other person was a director during the period apart from Steven Robinson who resigned and left the company on 11 December 2018.



PD

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TD

RL

SG

TC

TSY

NM

## Stephen Goodyear

NON-EXECUTIVE CHAIRMAN (A)

### Commenced role

April 2017 (appointed to the board in February 1996)

### Skills and experience

Stephen has a considerable knowledge of, and passion for, Young's and the industry. He began his career with Courage Ltd in 1974 and joined Young's in 1995. In 2003, he became chief executive and oversaw the sale of the Ram Brewery, the creation of the tenanted Ram Pub Company and the transformation of Young's into a premium managed house business. The latter involved the acquisition of Geronimo Inns at the end of 2010 and the creation of a growing hotels operation. In 2016, Stephen stepped down as chief executive and became a non-executive director. In 2013, he was also the Master of the Brewers' Company. Stephen is approachable, measured, calm and influential, and provides invaluable support to the chief executive. As chairman, he is impartial and objective and encourages open and constructive debate.

## Patrick Dardis

CHIEF EXECUTIVE (E) (D)

### Commenced role

July 2016 (appointed to the board in July 2003)

### Skills and experience

With over 35 years' experience working in the pub and brewing industry, Patrick has extensive knowledge and experience of the sector. Before joining Young's in 2002, he held various roles at Wolverhampton & Dudley Breweries PLC (now Marston's PLC), Guinness Brewing, Whitbread PLC and Courage Ltd. Over his time as retail director at Young's (2003-16), he developed his leadership skills further and was instrumental in making Young's the premium managed house operation it is today. Patrick is a council member of the British Beer and Pub Association and an executive committee member of the IFBB (see below). He understands the Young's business inside out, is well-known and very well respected both within Young's and the industry. Patrick brings unrivalled passion, drive and commitment to the role.

### Other relevant external appointments

The Independent Family Brewers of Britain (director)

## Torquil Sligo-Young

INFORMATION RESOURCES (E) (D)

### Commenced role

January 1997

### Skills and experience

Torquil joined Young's in 1985 and has held various positions in the company. With his broad experience, he has overall responsibility for the group's technological needs – here, he delegates to an experienced internal team and oversees management of this area. He heads up the in-house corporate social responsibility team and is chairman of a charitable trust set up by William Allen Young, a founder of the business. These latter two positions have seen a furthering of the company's relationship with the local community and various charities. Due to his length of service and knowledge of Young's, he is chairman of Young's Pension Trustees Limited (see below). Torquil brings a calmness to his position and, being a member of the founding family, he helps the company keep in touch with family shareholders.

### Other relevant external appointments

The Aldenham Foundation (director) – a trustee of charities engaged in secondary, primary and nursery education

Friends of Holy Cross Hospital (chairman of the trustees) – supports the work of the hospital.

William Allen Young Charitable Trust (chairman of the trustees)

Young's Pension Trustees Limited (chairman) – the trustee company that manages the Young & Co.'s Brewery, P.L.C. Pension Scheme

## Tracy Dodd

PEOPLE **E** **D**

Commenced role  
 September 2016

### Skills and experience

Tracy has overall responsibility for people matters and for health and safety. She joined Young's in January 2015; before that, during eight years at the Orchid pub group, she held a number of roles, most recently as Head of People, whilst also being involved with health and safety for part of her time there. As an ex-operator, Tracy is well aware of the issues faced by a pub business, and she has the skills, knowledge and expertise to help ensure that the group has the right people and culture in place and that it operates in a safe and healthy way. She has a clear understanding of the group's premium-led strategy and her focus is on what is required to deliver that, remaining ever mindful of the regulatory backdrop to people and health and safety matters, including equality, gender diversity and employee well-being. Tracy leads by example, is a team player, communicates well and, as one would expect of someone holding her position, is very approachable and discreet.

**Other relevant external appointments**  
 Hospitality Apprenticeship Board (member)

## Nick Miller

NON-EXECUTIVE **A** **R**

Commenced role  
 April 2017

### Skills and experience

Nick has a wealth of experience in hospitality, leisure and brewing. Most recently, he was the CEO of Meantime Brewing Company (2011-16) and before that he was the MD of Miller Brands, the UK arm of SAB Miller, the multinational brewing and beverage company. Nick has an excellent reputation in the industry. He is a particularly perceptive businessman, with significant experience and demonstrable career success at both Meantime and SAB Miller. With this background, he is able and prepared to challenge the executive directors. He has brought a strong and valuable external perspective to the board. With his recent executive experience, strength of character and willingness and ability to engage, he is well placed to lead the remuneration committee.

**Other relevant external appointments**  
 Hogs Back Brewery Limited (director) – a Surrey-based brewer

## Roger Lambert

NON-EXECUTIVE AND

SENIOR INDEPENDENT **A** **R**

Commenced role  
 August 2008 (becoming senior independent in July 2011)

### Skills and experience

Roger is a Partner at Peel Hunt LLP (see below) (2017 to date). He was previously Chairman of Corporate Broking at Canaccord Genuity (2010-16) and a member of the corporate finance team at J.P. Morgan Cazenove (1982-2008), most recently as a senior managing director covering the consumer sector. He started in 1982 as an analyst covering the brewing and pubs sector before moving into corporate finance where he has advised more than 25 companies in the sector. Roger has a wealth of relevant expertise in capital markets and brewing, drinks and hospitality. He brings gravitas to the senior independent role, along with financial astuteness to his chairmanship of the audit committee and strength of personality and charisma to his non-executive position.

**Other relevant external appointments**  
 Peel Hunt LLP (partner) – corporate broking, advisory and trading house focussing on mid and small-cap companies

## Ian McHoul

NON-EXECUTIVE **A**

Commenced role  
 January 2018

### Skills and experience

Ian is a chartered accountant and an experienced non-executive director: Premier Foods plc (2004-13), Britvic Plc (2014 to date, appointed as senior independent director in 2017), John Wood Group plc (2017-18), Bellway Plc (2018 to date) and The Vitec Group plc (2019 to date, chairman designate and then chairman). Most recently, Ian was the chief financial officer of Amec Foster Wheeler plc (2008-17) (having also been the interim CEO there) and before then was involved in the brewing and licenced retail industry in a variety of positions (1985-2008). With his considerable experience, his contribution both in and outside of board meetings is insightful. At a personal level, his ability to listen, build trust and encourage means he is able to act as a mentor to others.

**Other relevant external appointments**  
 Bellway Plc (director) – a major listed UK residential property developer based in Newcastle upon Tyne.

Britvic Plc (director) – a major listed UK producer of soft drinks based in Hemel Hempstead

The Vitec Group plc (chairman) – a leading global provider of products and solutions to the "image capture and content creation" market

## Trish Corzine

NON-EXECUTIVE **A** **R**

Commenced role  
 January 2015

### Skills and experience

With the majority of her career spent in the restaurant industry, Trish brings to the board more detailed knowledge and understanding of this part of the hospitality and leisure sector. This experience was gained primarily at The Restaurant Group plc where she spent 20 years, nine as an executive director responsible for their concessions business. She is commercially aware and understands the inner workings and challenges of running restaurants and food operations.

### Committee membership

- A** Audit committee
- R** Remuneration committee
- E** Executive committee
- D** Disclosure committee
- Chair of committee

## Directors' report

Continued

### Directors' interests in the company's share capital

Set out below are the interests in the company's share capital of the directors who held office at the end of the period and of the persons closely associated with them (as defined in the Market Abuse Regulation). These interests are in addition to those shown in note 8(e) on page 58.

		As at	A shares	Non-voting shares
Stephen Goodyear (i), (ii)	Beneficial	<b>1 April 2019</b>	<b>223,189</b>	–
		2 April 2018	224,001	–
Patrick Dardis (i), (ii)	Beneficial	<b>1 April 2019</b>	<b>104,928</b>	–
		2 April 2018	82,772	–
Torquil Sligo-Young (i), (ii), (iii)	Beneficial	<b>1 April 2019</b>	<b>292,373</b>	–
		2 April 2018	301,980	–
	Trustee	<b>1 April 2019</b>	<b>4,154,340</b>	<b>649,914</b>
		2 April 2018	4,154,340	649,914
Tracy Dodd (i)	Beneficial	<b>1 April 2019</b>	<b>7,301</b>	–
		2 April 2018	2,579	–
Roger Lambert	Beneficial	<b>1 April 2019</b>	<b>5,250</b>	<b>5,000</b>
		2 April 2018	5,250	5,000
Trish Corzine	Beneficial	<b>1 April 2019</b>	<b>1,000</b>	<b>5,000</b>
		2 April 2018	1,000	5,000
Nick Miller	Beneficial	<b>1 April 2019</b>	<b>55,000</b>	–
		2 April 2018	55,000	–
Ian McHoul	Beneficial	<b>1 April 2019</b>	–	–
		2 April 2018	–	–

(i) Also interested in 29,740 (2018: 7,345) A shares held in trust by RBT II Trustees Limited – see note 28 on page 78.

(ii) Also interested in 337,067 (2018: 337,067) A shares held in trust by Young's Pension Trustees Limited – see note 28 on page 78.

(iii) Torquil and various members of his immediate family are discretionary beneficiaries under trusts holding 836,368 (2018: 836,368) of the A shares and 553,866 (2018: 553,866) of the non-voting shares in respect of which Torquil Sligo-Young is shown as trustee in the above table.

### Profit and dividends

The profit for the period attributable to shareholders was £31.5 million. The directors recommend a final dividend for the period of 10.81 pence per share (which, subject to approval at the AGM, is expected to be paid on 11 July 2019 to shareholders on the register at the close of business on 7 June 2019). When added to the interim dividend of 9.97 pence per share paid in December 2018, this would produce a total dividend for the period of 20.78 pence per share.

### Disclosure of information to the auditor

Each of the directors shown on pages 20 and 21 confirms that so far as he or she is aware, there is no information needed by the company's auditor in connection with preparing its report of which the company's auditor is unaware. Further, each of them confirms that he or she has taken all the steps that he or she ought to have taken as a director to make himself or herself aware of any such information and to establish that the company's auditor is aware of it. This paragraph is to be interpreted in accordance with section 418 of the Companies Act 2006.

### Qualifying indemnity provisions

The company's articles of association contains an indemnity provision for the benefit of the directors; this provision, which is a qualifying third party indemnity provision, is in force at the date of this report and it applied throughout the period for the benefit of those who were then directors of the company. An additional qualifying third party indemnity provision is also in force at the date of this report; this benefits, amongst others, the executive directors and Stephen Goodyear, and relates to certain losses and liabilities which they may incur in connection with certain property-related matters.

### Important events since the end of the period and likely future developments

As permitted under section 414C(1) of the Companies Act 2006, the directors have chosen to include in the strategic report (on pages 1 to 19) particulars of important events affecting the group which have occurred since the end of the period and an indication of likely future developments in the group's business.

### Donations

No political donations were made.

### Financial instruments and related matters

Included in note 22, on page 68, are the group's financial risk management objectives and policies and an indication of the group's exposure to certain risks.



## Employees

Considerable importance is placed on communications with employees and so, within the limitation of commercial confidentiality and security, Young's provided them with information concerning trading, development and other appropriate matters. It did this at many levels throughout the business, both formally and informally, including through management presentations and, for employees based at Riverside House in Wandsworth, a full-year and half-year results presentation. Where appropriate and necessary, some information had to be cascaded. The company also consulted regularly with employees and their representatives thereby enabling the board to have regard to their views when making decisions likely to affect their interests; in connection with this, Young's continued to operate an information and consultation committee with its members being drawn from departments based at Riverside House. The company's integrated appraisal and development process, designed to improve communications and the company's performance, remained in place, and the company continued to operate a bonus scheme for eligible employees. To encourage further involvement and interest in the group's performance, the company invited all employees of the group who had been continuously employed at and from the start of the period to join the group's savings-related share option scheme for 2018. After saving for a three-year period (through deductions from net salary), scheme members can then buy A shares in the company if they choose to do so at 1,364 pence per share, being a discount of 20% to the market price at the time the invitations were issued. Young's maintained its policy of giving full and fair consideration to all applications for employment, including those made by disabled people, taking account of the applicant's particular aptitude and ability; of seeking to continue to employ anyone who becomes disabled while employed by the company and arranging training in a role appropriate to the person's changed circumstances; and of giving all employees, including disabled employees, equal opportunities for training, career development and promotion.

## Corporate governance

The group's report on corporate governance is set out on pages 24 to 38. That report forms part of this report and is incorporated by reference.

## AIM

The company's shares are traded on AIM. There are no other exchanges or trading platforms on which the company has applied or agreed to have its shares admitted or traded.

## AGM

Notice convening the AGM and an explanation of the resolutions being proposed are set out on pages 81 to 85.

### Notifications of major holdings of voting rights

As at 1 April 2019 the company had been notified of the following holdings of 3% or more of the voting rights in the company:

Torquil Sligo-Young	14.82%	Canaccord Genuity Group Inc.	5.55%
James Young	12.99%	Lindsell Train Limited	5.28%
Caroline Chelton	11.70%	BlackRock Investment Management (UK) Ltd	<5.00%
Octopus Investments Nominees Ltd	8.99%	Helena Young	3.12%

On 11 April 2019, Octopus Investments Nominees Limited notified the company that their holding had then changed to 9.01%; on 2 May 2019, it notified the company that its holding had then reverted to 8.99%; on 17 May 2019, it notified the company that its holding had then changed to 9.09%. No other changes in the above holdings, and no other holdings of 3% or more of the voting rights in the company, had been notified to the company between 2 April 2019 and 20 May 2019, both dates inclusive.

## Statement of certain responsibilities in relation to the financial statements and otherwise

For each financial period the directors are required to prepare an annual report (made up of a strategic report and a directors' report) and a set of financial statements. The latter must be prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and applicable law, and must present fairly the financial position of the group and the financial performance and cash flows of the group for the relevant period. As regards the company's financial statements (as opposed to the ones for the group), the directors have chosen to prepare them under IFRS too. In preparing the financial statements, the directors have to make judgments and accounting estimates that are reasonable and prudent, select suitable accounting policies and then apply them consistently, and information, including accounting policies, must be presented in a manner that provides relevant, reliable and comparable information. There also has to be included a note that the group has complied with IFRS, subject to any material departures disclosed and explained in the financial statements. Under the Companies Act 2006, the directors are responsible for keeping accounting records which disclose with reasonable accuracy, at any time, the financial position of the group and the company at that time and are such to enable them to ensure that the financial statements comply with that Act. The directors 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.

## Preparation and disclaimer

This annual report, together with the strategic report (on pages 1 to 19) and the financial statements for the period ended 1 April 2019 have been drawn up and presented for the purpose of complying with English law. Any liability arising out of or in connection with them will also be determined in accordance with English law.

By order of the board  
**ANTHONY SCHROEDER**  
 Company Secretary  
 22 May 2019

# Corporate governance report

## Chairman's corporate governance statement



**As chairman, my main responsibility is the effective leadership of the board and the fostering of a good corporate governance culture. I am fortunate though to have board colleagues equally persuaded of the importance of collectively defining, delivering and communicating our governance model so as to ensure that good governance standards are embraced throughout our business.**

### Stephen Goodyear, Chairman

This time last year, I wrote to you explaining that a new AIM rule was being introduced that would require us to formally apply a recognised corporate governance code, provide details of it on our corporate website and then explain how we comply with that code and include reasons where we have departed from it. I am pleased to confirm that last July the board chose to apply The QCA Corporate Governance Code (2018 edition) (the "QCA Code"); this was the new and fully updated corporate governance code that the Quoted Companies Alliance had released in April.

The choice of code to adopt was important to us. We wanted to be sure that we would proactively embrace whatever code we opted for and not end up with a code that could stifle us and result, on a comply or explain basis, with us describing why certain requirements were not appropriate. A thorough review of the impact of the QCA Code on our corporate governance arrangements was therefore undertaken and it led us to believe that this particular code would provide us with the right governance framework: a flexible but rigorous outcome-oriented environment in which we could continue to develop our governance model to support our business.

As it happened, much of what was in the QCA Code was already embedded in our governance model, our ways of working and our behaviours. Our review of the QCA Code's impact did, however, highlight board performance evaluation as an area where our informal arrangements could be and should be enhanced. This is something that I, on behalf of the board, agreed to look into in conjunction with our people director, and I'm pleased to refer you to the *Performance evaluation* section on page 31 for details of the performance review carried out in the period and the areas that it was felt should be changed or could be improved.

At the start of the period, the remuneration committee considered an independent report prepared by Deloitte LLP ("Deloitte") on the remuneration packages of the board's executive directors; the previous independent review had been carried out in 2008. The overall conclusion was that the packages at chief executive and chief financial officer level were below the market competitive range but that the packages for the two other executives were within the range. What was done as a result is detailed in the *Remuneration committee* section starting on page 37.

In December, the board received a recommendation from the audit committee that Ernst & Young LLP ("EY") be re-appointed as the company's statutory auditor for the financial year ending 2020; this followed a comprehensive tender process for the group's statutory audit. Further information on this is in the *Audit committee* section starting on page 33.

As one would expect, the board has a defined strategy of how to grow our business, supported by an equally clear business model of how to create long-term value for shareholders – further detail on these is in the *Our strategy and business model* section on page 4. It is against this background, and a mission statement of "delighting our customers with stylish pubs and hotels", that the board makes decisions and manages risk.

As a board, we set clear expectations concerning the group's culture and values. By way of example, each person starting at one of our pubs receives a training journal designed to support them through their induction – this not only covers our vision and values, but also explains how we go about caring for our customers, right from their decision to come to our pubs through to a goodbye at the end of their visits. This is so important if we are to develop our people to delight our customers. The learnings from this four-week induction programme then become instinctive over a member of staff's time with us.

Clear statements of behaviour are also issued by the board. An anti-bribery statement is on our corporate website and members of staff are encouraged to refer contractors and suppliers to this. We also have an anti-bribery policy.

Both the statement and policy confirm that we have a zero-tolerance stance on bribery and they repeat the board's expectation that everyone behaves at all times honestly, professionally, fairly and with integrity. The policy is circulated to everyone at Riverside House and to all pub managers; it is also printed in each pub employee's contract of employment. Our slavery and human trafficking statement, likewise published on our corporate website, also explains to external stakeholders that we seek to conduct our business honestly and with integrity at all times and that we recognise that it is not acceptable to put profit above the welfare and well-being of our employees and those working on our behalf. Steps to combat modern slavery are taken seriously, and efforts to prevent abuses are fully embedded across all departments throughout our organisation to ensure we play our part in helping to stamp out slavery and human trafficking. A whistleblowing policy is also in place: this allows staff to raise any concerns in confidence directly with the chairman of the audit committee, the company secretary or the group's internal audit manager. Experience to date suggests that this policy is effective and staff members are aware of it.

We firmly believe that by encouraging the right way of thinking and behaving across all our people, our corporate governance culture is reinforced, enabling us to conduct business sustainably and responsibly, drive our premium, customer-focussed, people-led strategy and deliver value for our shareholders. Within this framework, those managing our pubs are encouraged to be entrepreneurial, while supported by policies, processes and an extensive training program that assists in protecting the business from unnecessary risk.

We accept that simply setting expectations is insufficient and so the board understands how important it is that it leads by example: it is therefore regularly seen out and about engaging with staff, customers and others, and the executive team, in particular, communicates regularly with staff through meetings and messages and at events. Being seen isn't always good – however hard it may be, sometimes just fading into the background whilst observing and listening can be really educational. Our relatively informal approach here is supported by more formal processes – we encourage customer feedback (both directly to the pubs and via online booking review platforms), have a comprehensive customer mystery diner program that sees covert guests give detailed comments about their experience and there are also staff appraisals. Together, these provide invaluable insight into how we are seen to behave and lead the board to believe that the group has a healthy corporate culture throughout the business.

Further details on our corporate governance arrangements (reflecting the ten broad principles in the QCA Code and their application) appear in the following pages and on our corporate website. With our change of approach to performance reviews, I now very much feel that the whole essence of the QCA Code is fully reflected and observed in our business. A regular review by me with our company secretary will, however, ensure that this remains the case.

To finish, I remain ever aware of the importance of ensuring that we regularly engage with you, our shareholders. On page 32 we've set out what we do in this regard; the AGM is a key part of this and I look forward to meeting with you at this year's AGM in Wandsworth on Tuesday, 9 July 2019.

**Stephen Goodyear**  
Chairman  
22 May 2019

*For information: an index setting out where to find each of the disclosures required to be published by the QCA Code appears at the end of the corporate governance information part of the 'Companies Act and AIM Rules compliance' page within the investors section of [www.youngs.co.uk](http://www.youngs.co.uk).*

## Leadership

### Board composition

Details of the board, including their skills and experience, appear on pages 20 and 21.

### The role of the board and its committees

#### The board

The board is collectively responsible for the success of the company and the business and management of the group. Its role includes:

- approving the group's long-term objectives, commercial strategy and annual budgets;
- approving acquisitions and disposals;
- ensuring maintenance of sound management and internal control systems; and
- overseeing the group's operations, ensuring competent and prudent management, sound planning, adequate accounting and other records, and compliance with statutory and regulatory obligations.

The board governs through its executive management and via committees, the principal ones of which are listed below.

Executive committee	Audit committee	Remuneration committee	Disclosure committee
It is responsible for the daily running of the group and the execution of approved policies and the business plan. It usually meets on a weekly basis, with members of staff invited to attend as appropriate.	Its primary focus is on corporate reporting (from an external perspective) and on monitoring the company's internal control and risk management systems (from an internal perspective). Further details on the committee's responsibilities and activities are on pages 33 to 36.	Its primary function is to determine, on behalf of the board, the remuneration packages of the executive directors. Further details on the committee and the company's reward policy are on pages 37 and 38.	Its primary function is to assist the company in making timely and accurate disclosure of any information required to be disclosed in order to meet legal and regulatory obligations.

<p><b>Chairman:</b> Chief executive</p> <p><b>Other members:</b> The other executive directors</p>	<p><b>Chairman:</b> Roger Lambert</p> <p><b>Other members:</b> Stephen Goodyear Trish Corzine Nick Miller Ian McHoul</p>	<p><b>Chairman:</b> Nick Miller</p> <p><b>Other members:</b> Roger Lambert Trish Corzine</p>	<p><b>Chairman:</b> Chief financial officer</p> <p><b>Other members:</b> The other executive directors</p>
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The terms of reference for the audit, remuneration and disclosure committees can be found in the investors section of [www.youngs.co.uk](http://www.youngs.co.uk). The executive committee has no formal terms of reference.

## Board meetings and activities during the period

### Meetings

The board meets every two months, with additional meetings arranged as required. It met nine times during the period, excluding the strategy meeting held in the autumn. Most meetings take place at Riverside House; occasionally, they are held at one of the group's pubs, thus providing the board with further opportunities to keep up-to-date with the group's business and how particular pubs are performing.

A formal agenda, made up of regular and other specific business matters, and a supporting pack is provided to each member of the board sufficiently in advance of each meeting to ensure there is time for these to be reviewed. The agendas are prepared by the company secretary and agreed with the chairman and the chief executive.

Included in the pack for each of the board's scheduled meetings is a report from the chief executive, a latest forecast, a health and safety report, a people report, a property report and details of any material claims against the group. At the meetings, the executive directors expand upon what is covered in their reports and the company secretary updates the board on matters for which he is responsible. The chairmen of the company's audit, remuneration and disclosure committees also report formally at board meetings on the proceedings of their committees; with some exceptions on remuneration matters, the minutes of those committee meetings are also circulated to members of the board.

### Autumn strategy meeting

This in-depth meeting gives management and the non-executives an opportunity to discuss a variety of matters. Once the strategy is agreed, management is able to build the budgets for the following year and develop longer-term plans. J.P. Morgan Cazenove attended this year's strategy meeting and the key matters covered were:

- the group's long-term business plan and a re-affirming of the group's strategy and business model;
- the market and acquisition opportunities that could possibly arise;
- the group's equity and capital structure; and
- challenges facing the business.

From time to time, senior managers are invited to attend board meetings to provide updates on developments in their areas of responsibility.

Open and constructive debate in meetings is always encouraged by the chairman and he ensures that matters are challenged and discussed before any decision that needs to be made is made.

The 'formal' flow of information in board meetings is in addition to information exchanged outside of those meetings, often in relation to ad hoc matters that need considering between meetings. The directors also receive, usually on a weekly basis, the group's sales numbers and, on a monthly basis, a management accounts pack that includes a summary of the group's financial and non-financial performance, sales information for drink and food and the group's financial position and cash flow. There are also regular meetings of non-executives with one or more of the executive directors outside of board meetings.

The board has a procedure in place such that it can consider and, if it sees fit, authorise situations where a director has an interest that conflicts, or may possibly conflict, with the interests of the company; this is set out in article 63 of the company's articles of association.

## Matters reserved for the board

The board has a formal written schedule of matters reserved for its review and approval; this schedule includes those matters described in *The role of the board and its committees* section on page 25 as well as those in the following table.

Category	Examples
<b>Strategy and management</b>	Extension of the group's activities into new business or geographic areas; cessation of the operation of all or any material part of the group's business.
<b>Structure and capital</b>	Changes relating to the group's capital structure; major changes to the group's corporate or management and control structure; changes to the company's listing or its status as a plc.
<b>Financial reporting and controls</b>	Approval of the following: annual report and accounts, preliminary announcements of results, significant changes in accounting policies or practices, treasury policies, certain unbudgeted capital or operating expenditure; declaration or recommendation of dividends; review and approval of expenditure authorisation limits.
<b>Contracts</b>	Contracts in the ordinary course of business material strategically or by reason of size; contracts not in the ordinary course of business; major investments.
<b>Communication</b>	Approval of resolutions, circulars, prospectuses and press releases concerning matters decided by the board.
<b>Board membership and other appointments</b>	Changes to the structure, size and composition of the board; ensuring adequate succession planning for the board and senior management; board appointments; selection of the chairman and the chief executive; appointment of the senior independent director; membership and chairmanship of board committees; continuation in office of directors; appointment or removal of the company secretary; appointment, re-appointment or removal of the external auditor to be put to shareholders for approval, following the recommendation of the audit committee.
<b>Remuneration</b>	Approving the remuneration policy for the directors; determining the initial remuneration of the non-executive directors; introduction of new share incentive plans or major changes to existing plans.
<b>Delegation of authority</b>	Division of responsibilities between the chairman and the chief executive; establishing board committees and approving their terms of reference.
<b>Corporate governance</b>	Undertaking any formal and rigorous review of the board's own performance, that of its committees and individual directors, and the division of responsibilities; determining the independence of non-executive directors; review of the group's overall corporate governance arrangements; authorising conflicts of interest where permitted by the company's articles of association.
<b>Policies and procedures</b>	Approval of the following: manual on compliance with the AIM Rules and aspects of the Market Abuse Regulation, company's insider list manual, dealing code, anti-bribery policy, whistleblowing policy and health and safety policy.

# Corporate governance report

Continued

## Board's key activities during the period

Generally excluding those matters that come up each year and the autumn strategy meeting (see previously), the board's key activities in the period surrounded:

- a review of the company's activities as part of its commitment to combatting slavery and human trafficking, culminating in the approval of a slavery and human trafficking statement;
- consideration of the company's debt structure, leading to the company agreeing to issue, in July 2019, £35 million of 3.30% senior secured notes due 2 July 2039 (see note 31);
- the ratification of Steve Robinson's resignation as chief financial officer and Daniel Quint's appointment as interim chief financial officer;
- the circulation of a letter to shareholders seeking their agreement to the company sending certain communications by email;
- the review and approval of changes to the company's anti-bribery policy and procedures;
- consideration of the group's pension scheme and the projects being undertaken to reduce the scheme's liabilities and funding risks;
- a review of the impact of the General Data Protection Regulation on the group's operations and the approval and adoption of group-wide policies;
- consideration of developments in marketing and plans to drive an increased level of operating profit from the managed house division;
- consideration of the acquisition of the Redcomb group;
- a review of the principal risks and uncertainties facing the group;
- a review of the impact of IFRS 16 (Leases) on the group;
- consideration and adoption of the QCA Code as part of the group's corporate governance arrangements, the review and adoption of a website corporate governance statement and the carrying out of a board performance evaluation; and
- approval and publication of the company's tax strategy and its gender pay gap information.

## Directors and the company secretary

### Roles and responsibilities

There is a clear division of responsibility at the head of the company.

<b>Chairman</b>	<b>Chief executive</b>
Is responsible for: <ul style="list-style-type: none"><li>• leading an effective board;</li><li>• fostering a good corporate governance culture; and</li><li>• ensuring appropriate strategic focus and direction.</li></ul>	Has overall responsibility for: <ul style="list-style-type: none"><li>• proposing the strategic focus to the board;</li><li>• implementing the strategy once approved; and</li><li>• managing the group's business.</li></ul>
<b>Senior independent director</b>	<b>Executive directors</b>
Acts as a sounding board for, and provides support and advice to, the chairman and other board members. Also available to shareholders and any of the directors should they have a question or concern that cannot be raised through the normal channels.	All have particular roles and areas of responsibility – see pages 20 and 21. They are responsible for the day-to-day running of the business.
<b>Non-executive directors</b>	<b>Company secretary</b>
Are required, amongst other things, to constructively challenge and contribute to the development of strategy, to scrutinise the performance of management in meeting agreed goals and objectives and to monitor the reporting of performance. They play their part by being knowledgeable business people who bring a wide range of skills and experiences to the board.	Acts as a channel through which the directors, particularly the non-executives, gain an understanding of the workings of the company. All the directors are entitled to seek advice from him and he provides guidance and information to all of them. He also plays a key part in helping the board ensure that it is aware of, and that the company meets, its legal and regulatory obligations.

## Attendance at board and committee meetings

Meeting attendance	Board	Audit committee	Remuneration committee
Number of meetings	9	4	5
Stephen Goodyear	9	4	–
Patrick Dardis	9	–	–
Steven Robinson <sup>(i)</sup>	4	–	–
Torquil Sligo-Young	9	–	–
Tracy Dodd	9	–	–
Roger Lambert	9	4	5
Trish Corzine	9	4	5
Nick Miller	9	3	5
Ian McHoul	9	4	–

(i) Steve resigned in December 2018 – he attended all board meetings he was eligible to attend.

## Independence

The board asserts, based on its experience, that all the non-executive directors act independently in character and judgement. It is recognised that only Trish Corzine and Ian McHoul can be considered independent when judged against the UK Corporate Governance Code. The board, however, considers Roger Lambert to be independent despite him having served on the board for more than 10 years – in reaching this conclusion, the board considered the length of Roger's period in office, his other external commitments, the objective manner in which he has provided support to the chairman and other board members and his strength of character and attitude of mind. Nick Miller is also regarded as independent by the board even though he was, up until 31 March 2016, a director of the Meantime Brewing Company, a supplier to the group – in looking at Nick's position, the board concluded that there was nothing to suggest that his former directorship was likely to affect, or could appear to affect, his judgement, particularly as he did not become a director of the company until after he had left Meantime and he is not involved in decisions as regards the group's supply arrangements. Having recently been the company's chief executive, Stephen Goodyear is not independent.

## Balance and size

The company has appointed Mike Owen as its chief financial officer; he is due to join the board and start this role in September 2019. Subject to that, in view of the relevant experience, skills and personal qualities and capabilities that each director brings to the board (as summarised on pages 20 and 21), the directors consider that the board is well-balanced, has the right number of members for the size of the group and that no single person dominates discussions.

## Nominations, appointments and inductions

Typically, the chairman and the chief executive 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 whole board. Each board member is invited to meet with the candidate. This process has been used effectively for a number of 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. Other senior appointments are made by the chief executive in discussion with the chairman. The importance of diversity, including gender balance, is acknowledged in making any appointment – against this background, the board continues to believe, however, that appointments should be merit-based against the selection criteria created for any given role.

Subject to the company's articles of association, shareholders can, by passing an ordinary resolution, appoint any willing person as an additional director or as a replacement for another director.

New directors undertake a tailored induction programme, as appropriate, and receive education and training on the AIM Rules from the company's nominated adviser. The company secretary spends time with new directors, ensuring they understand the key procedures they need to comply with and he also provides them with an induction pack covering or containing:

- regulatory matters (e.g. the company's articles of association, the AIM Rules, the company's manual on compliance with the AIM Rules and aspects of the Market Abuse Regulation, the company's insider list manual and a note on directors' duties);
- internal policies (e.g. anti-bribery; pub purchases, pub refurbishment projects and schedule of matters reserved for the board);
- internal information (e.g. diary dates and D&O certificates);
- public information (e.g. latest annual and interim reports and any circulars issued in the last 12 months); and
- terms of reference for the audit, remuneration and disclosure committees.

# Corporate governance report

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## Re-appointment of directors and notice periods

Once appointed, the company's articles of association ensure that any new director is subject to re-appointment by the company's voting shareholders at the next AGM – this doesn't apply to any director at this year's AGM. Directors are then subject to a further re-appointment vote every third AGM after that – this applies to Stephen Goodyear and Patrick Dardis at this year's AGM. Both are seeking re-appointment.

Subject to shareholder re-appointment, the executive directors have been appointed for indefinite periods and are generally entitled to not less than one year's notice if the company wishes to terminate their appointment. In return, the executive directors have to give not less than the notice shown in the table below if they wish to leave.

The non-executive directors have been appointed for fixed terms which are terminable earlier by them or the company giving not less than six months' notice and they are likewise subject to shareholder re-appointment. The expiry dates of their current fixed terms are shown in the following table:

Executive directors	Notice period from the director	Non-executive directors	Fixed term expiry dates
Patrick Dardis	One year	Stephen Goodyear	3 April 2020
Torquil Sligo-Young	Six months	Roger Lambert	31 July 2020
Tracy Dodd	One year	Trish Corzine	11 January 2021
		Nick Miller	3 April 2020
		Ian McHoul	23 January 2021

## Time commitment

The executive directors are expected to devote substantially the whole of their time, attention and ability to their duties, whereas, as one would expect, the non-executives have a lesser time commitment. Apart from the chairman, who has agreed to spend 30-50 days a year on work for the company, it is anticipated that each of the non-executives will dedicate 15 days a year. The non-executive directors have all confirmed that they are able to allocate sufficient time to meet the expectations of their role, and they are required to obtain the chairman's agreement (or, in the case of the chairman, the chief executive's agreement) before accepting additional commitments that might affect the time they are able to devote.

## Service contracts and letters of appointment

Copies of the executive directors' service contracts and copies of the letters of appointment of the non-executive directors are available for inspection at the company's registered office.

## Training, development and advice

From time to time, the directors, as appropriate, attend training courses, conferences and/or industry forums, read technical and other journals and undertake online learning to keep up-to-date on various matters. They also attend relevant specialist briefings, some of which form part of board or executive committee meetings. The directors, executive and non-executive, regularly spend time out in the trade with fellow directors, shareholders, members of staff, colleagues and friends: this helps them to keep up-to-date with the group's operations, developments in the market and the competition.

Once a year, the company secretary provides education and training to the executive directors on the company's manual on compliance with the AIM Rules and aspects of the Market Abuse Regulation, and to all the directors on the company's dealing code. The company's nominated adviser also provides education and training to all the directors annually on the AIM Rules.

Subject to certain limitations, all the directors are entitled to obtain independent professional advice at the company's expense.

J.P. Morgan Cazenove and Slaughter and May are long-standing advisers to the board. The former is the company's nominated adviser and joint broker; in its capacity as nominated adviser, it is responsible to the London Stock Exchange for providing advice and guidance in relation to the company's continuing obligations resulting from its admission to AIM. Slaughter and May is an international law firm headquartered in London that the board calls on for legal advice and services from time to time. During the period:

- Deloitte provided advice in connection with the remuneration committee's review of executive director remuneration – further detail on this is in the *Remuneration committee* section starting on page 37; and
- N M Rothschild & Sons Limited and HSBC Bank plc provided advice in connection with the company's debt structure and the company agreeing to issue, in July 2019, £35 million of 3.30% senior secured notes due 2 July 2039 (see note 31).



## Performance evaluation

During the period, the board carried out its first formal review of the effectiveness of its performance as a unit, as well as that of its committees. Each individual director's performance was also appraised. This process was led by the chairman, and was conducted by him, the senior independent director and the chief executive.

The performance review of the board and its committees involved the completion of a questionnaire on an anonymous basis – anonymity was intended to encourage more open and constructive comment. All board members were asked to provide a rating (on a scale of 1 - 4) across a variety of criteria concerned with practices and processes relevant to effectiveness; further details of these appear in the company's corporate governance website disclosures that can be found in the investors section of [www.youngs.co.uk](http://www.youngs.co.uk). The completed questionnaires were then submitted to the company secretary who collated and consolidated the responses into a report that was first shared with the chairman and subsequently circulated to the other directors. The report included all unattributed comments. Overall, the review produced some positive feedback, with a good set of rating scores. At the November board meeting, the chairman highlighted specific areas that he considered should be addressed, driven either by particular rating scores awarded or comments made. As a result of the review process and an ensuing discussion, the following was agreed for the areas that it was felt should be changed or could be improved:

- rather than start the year with a predetermined timetable of presentations, it will be agreed at each board meeting what, if any, non-routine presentations should be given at the next meeting – in this way, the presentations received by the board will be more pertinent and timely, reflecting ongoing developments in the business;
- presentations on certain topics (for example IT and health and safety) will be given by non-director members of staff – this will help the board as a whole, but without straying into the executive's area of responsibility, to assess the quality and depth of the team below board level;
- although the principal risks and uncertainties facing the business will continue to be discussed by the audit committee and by the board as a whole as part of its review and sign-off of the annual report, a more formal and separate discussion on this area will now be part of each January's board meeting agenda – this will give this area an increased degree of focus; and
- an annual update will now be provided to the board on senior level succession (i.e. the level below the board) – this will assist the board in its thinking as regards succession planning.

The next formal review by the board of the effectiveness of its performance as a unit, as well as that of its committees, is expected to be carried out in summer 2020.

As required by its terms of reference, the audit committee also carried out a review of its own performance, as well as its constitution and terms of reference to ensure it was operating at maximum effectiveness. No changes were considered necessary.

The chairman's performance was appraised by the senior independent director. The chairman appraised the performance of the other non-executive directors and the chief executive. The appraisal of the other executive directors was conducted by the chief executive; this was in addition to his regular 1:1 meetings with them. As part of the executive appraisal process, individual development needs were discussed, as well as areas in which the executives could seek mentoring guidance.

## Liability insurance cover for directors and officers

The company maintains, at its own expense, insurance cover in respect of legal action against its directors and officers.

## Risk

The board as a whole oversees risk. With the chief executive having overall responsibility for implementing the group's strategy, it is the executive committee, as a group under his leadership, that is primarily responsible for keeping abreast of developments that may affect delivery of that strategy (especially in terms of their likelihood and impact), identifying any mitigating actions that could be taken and then ensuring, as far as possible, those actions are taken – here the executive team's experience and management, collectively and individually, is vital. That informal process then feeds through to the whole board when it considers, on an annual basis, the list of principal risks (and uncertainties) for inclusion in the company's annual strategic report (see pages 8 and 9). Additionally, the executive committee regularly considers the group's financial controls memorandum – this comprehensive and internally-focused document identifies a number of finance-related risks and, for each of them, sets out the potential business impact, potential for occurrence, what mitigating controls are in place and who within the business has responsibility for managing the control. That document is considered by the audit committee before being submitted to the board for approval. Although the board has overall responsibility for the group's systems of internal control and risk management and for reviewing their effectiveness, the audit committee performs an important role in monitoring those systems – a summary of what the committee did during the period in this regard is in the *Audit committee* section starting on page 33.

## Shareholders Relations

Copies of the annual report (which includes the notice of AGM) and the interim report are sent to all shareholders and they can be downloaded from the investors section of [www.youngs.co.uk](http://www.youngs.co.uk). Other information for shareholders and interested parties is also provided on that website, including the preliminary and half-year results presentations to the City.

The company has an on-going programme of individual meetings with institutional shareholders and analysts following the preliminary and half-year results presentations to the City. These meetings allow the chief executive and the chief financial officer to update shareholders on strategy and the group's performance. Additional meetings with institutional investors and/or analysts are arranged from time to time. All board members receive copies of feedback reports from the City presentations and meetings, thus keeping them in touch with shareholder opinion.

Stephen Goodyear, Patrick Dardis and Torquil Sligo-Young are the key contacts with the company's family shareholders, with Torquil having a specific part to play in keeping in touch with them. Roger Lambert, as the senior independent director, and the other non-executive directors are all willing to engage with shareholders should they have any questions or concerns that are not resolved through the normal channels. The company secretary can also be contacted by shareholders on matters of governance and investor relations.

The board supports the use of the AGM to communicate, in particular, with private investors. This meeting is well attended and all shareholders are given the opportunity to ask questions and raise issues; this can be done formally during the meeting or informally with the directors after it.

At the AGM, the company proposes a separate resolution on each substantially separate issue. For each resolution, proxy appointment forms are issued which provide voting shareholders with the option to vote in advance of the AGM if they are unable to attend in person. All valid proxy votes received for the AGM are properly recorded and counted by Computershare, the company's registrar. Voting at the AGM is by a show of hands unless a poll is called for – in this regard, the chairman is aware of the possible need to exercise his powers as chairman and demand a poll to ensure that the vote represents the voting intentions of those shareholders who have appointed him as proxy, as well as those present at the meeting. As soon as practicable after the AGM has concluded, the results of the meeting are released through a regulatory information service and a copy of the announcement is posted on the Company News page within the investors section of [www.youngs.co.uk](http://www.youngs.co.uk). The announcement also provides, for information, details of the total number of voting shares in issue and the number of shares in respect of which valid proxy appointments were received; a table is included showing the number of votes for and against each resolution and also the number within the chairman's discretion – excluded from the table are abstentions/votes withheld and proxy appointments received from holders who appointed someone other than the chairman of the meeting as their proxy.

## Audit committee



During the period, the committee continued to focus on the appropriateness of the group's financial reporting, the group's management of risk and systems of internal control and the thoroughness of the external and internal audit processes. Outside of this, the committee conducted a tender for the group's statutory audit, resulting in a recommendation that Ernst & Young LLP ("EY") be re-appointed as auditor.

**Roger Lambert**, Committee Chairman

### Major tasks

During the period, the major tasks undertaken by the committee (in addition to those mentioned below) were:

- ✓ a review of the group's preliminary announcements of interim and final results, and the results themselves, all prior to review by the board;
- ✓ a review of the group's systems of internal control and risk management;
- ✓ a review of the group's information systems security management policy;
- ✓ the setting of the group's internal audit plan and the review of various reports prepared by the group's internal audit manager;
- ✓ oversight of EY, the group's external auditor, to continue the delivery of a robust audit plan;
- ✓ management of a comprehensive tender process for the group's statutory audit; and
- ✓ an assessment of the impact of the forthcoming adoption of IFRS 16 on the group's balance sheet and consideration of the resulting disclosures to be made in the group's financial statements.

### Committee membership

The committee, chaired by Roger Lambert, comprises the board's five non-executive directors. All of them served on the committee throughout the period. The members of the committee consider that they have the requisite skills and experience to fulfil the committee's responsibilities.

### Committee meetings and attendance

The committee met four times during the period (in May, August, November and March) and the table on page 29 sets out each member's attendance record. The chief financial officer/interim chief financial officer joined the meetings, as did the company's audit partner and audit manager at EY when the meeting related to the group's full-year and half-year results and also in March. Other senior members of staff joined the meetings, as appropriate. As part of the meetings, the committee met separately with the group's internal audit manager and with the company's audit partner and audit manager at EY, in each case without any other member of the group's management present; this gave them the opportunity to raise any concerns they had and any issues arising from their work.

### Advice, guidance and information

Formal agendas and reports are provided to the committee a week before its meetings, along with other information to enable it to discharge its duties. Amongst the information and reports provided to the committee during the period (other than those referred to elsewhere in this section and in the *Risk and internal control* section) were: full-year and half-year review reports prepared by EY; draft engagement and management representation letters; an updated financial controls memorandum for approval; the group's procedures for whistleblowing, detecting fraud and preventing bribery; a schedule of non-audit work performed by EY; a schedule of director's expenses; the group's stocking policy and supplier rebates received; a copy of the committee's terms of reference and a draft audit timetable.

### Areas of responsibility

The committee's responsibilities are split into four distinct areas, with the following main tasks:

#### Financial reporting

Monitoring the integrity of the company's financial statements.

#### Internal control and risk management

Monitoring the integrity, adequacy and effectiveness of the company's internal control and risk management systems.

# Corporate governance report

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## Internal audit

Reviewing and approving the company's internal audit plan and monitoring and assessing the effectiveness of the company's internal audit function in the context of the company's overall risk management system.

## External audit

Overseeing the company's relationship with its external auditor, reviewing the effectiveness of the company's external audit process and assessing the independence of the company's external auditor.





These and the committee's other duties are set out in the committee's terms of reference which can be found in the investors section of [www.youngs.co.uk](http://www.youngs.co.uk).

## 2018 financial statements – Financial Reporting Council ("FRC") thematic review

During the year, the FRC corporate reporting team reviewed the company's tax and pensions disclosures in its 2018 financial statements. The review was a desktop exercise only; no questions or queries were raised in relation to these specific disclosures.

## Significant matters considered in relation to the financial statements

The following table sets out what the committee regards as the significant matters considered by it in relation to the group's financial statements and how they were addressed.

Matter	How addressed
<b>Value of the group's pub estate</b> 	<p>This is by far the largest number on the balance sheet at 1 April 2019 and note 17 on page 64 explains the valuation exercise undertaken. The committee focussed its attention on understanding and challenging the annual valuation exercise and the appropriate accounting approach and disclosures; it did this by reviewing the approach, the key assumptions, the valuation reports and other documentation analysing the outcome of the exercise. Management's valuation process was also checked by EY, enabling them to confirm to the committee that the valuation exercise was in accordance with accounting standards and in line with common practice in the industry. As a result of the above, the committee was satisfied that a thorough and robust valuation exercise had been undertaken, with appropriate challenges by EY and the committee, and that appropriate values were reflected in the balance sheet at 1 April 2019.</p>
<b>Deferred taxation</b> 	<p>Management, with help from the group's in-house tax manager, made judgements and produced detailed calculations supporting the estimated deferred tax movement and year-end balance. The workings supported the deferred tax liability on the rollover relief and property revaluations on each pub, as well as the treatment of capital losses, indexation and initial recognition exemptions. EY audited these calculations and workings. The outcome was that the committee was satisfied that the deferred tax provision shown in the balance sheet at 1 April 2019 was appropriate.</p>
<b>Acquisition of the Redcomb pub group</b> 	<p>During the period, the group acquired the Redcomb pub group for a total cash cost of £31.7 million. Management performed a preliminary purchase price allocation exercise ("PPA"), with the assistance of external experts. The primary element of the PPA assessed the fair value of the 15 pubs acquired, as well as the fair value of intangible assets, borrowings, contract liabilities, other assets and liabilities and deferred tax. EY evaluated whether the assets and liabilities acquired were correctly identified and valued and were satisfied that they were complete and accurate. The committee ultimately concluded that the disclosures made in the balance sheet at 1 April 2019 are in accordance with IFRS 3.</p>
<b>Supplier rebates</b> 	<p>Management, with help from the group's director of commercial operations, regularly calculated, monitored and reviewed all volumes and applicable discounts – this included monthly and quarterly reviews depending on the size of the supplier and also included checking that rebates had been correctly recorded within a specific period. Management only recognises these rebates when the group has met all relevant obligations – see note 3(t) on page 54. EY audited these rebates: this involved (a) understanding management's processes and controls over the recognition of rebates, (b) reviewing a sample of supplier agreements and understanding their key terms, (c) recalculating a sample of the rebates and agreeing them to invoices and (d) verifying that rebates had been appropriately recorded in the correct period, by reference to supplier statements and post year-end settlement. Direct confirmation from a sample of suppliers of their liability to the company was also obtained. The overall results of this testing confirmed the committee's expectation of the likely level of rebate due when compared with the previous year and gave it sufficient assurance as to the reliability of the process undertaken and the correctness of the amount included within operating costs shown in the group income statement for the period ended 1 April 2019.</p>

EY's audit report on pages 39 to 43 also provides further detail on how the above matters were addressed.

## Non-audit work carried out by EY

The company has a formal policy in respect of non-audit work carried out by EY whilst appointed as the company's external auditor; this is in place to mitigate any risks threatening, or appearing to threaten, EY's independence and objectivity arising through the provision of non-audit services. As a result, the committee has to approve certain new engagements with EY. Other new engagements may be approved by the company's chief financial officer, subject to certain safeguards, including the level of fees payable and the services being given by EY not creating a conflict of interest. During the period, the company engaged EY for a limited amount of non-audit work which included a review of the group's interim financial statements. The total fees paid to EY during the period for non-audit fees amounted to £37k (14.1% of total fees paid to EY during the period) (2018: £43k and 20.9%). In the committee's view, the nature and extent of the non-audit work carried out by EY did not impair EY's independence or objectivity.

## External auditor: audit tender process and proposed re-appointment of EY

In August 2018, the committee decided that the group's statutory audit for the financial year ending 2020 should be put out to tender as EY had been in office, as auditor, for more than 15 years. This was a matter of good corporate governance and was despite the committee being satisfied with EY's qualification, objectivity, independence and overall service. Based on best practice guidance issued by the Financial Reporting Council, the tender process involved the following:

- ✓ EY, along with two other leading firms, were invited to participate;
- ✓ access to a data-room was provided – this contained information on the group, its structure and how it operates;
- ✓ carousel meetings took place with the group's senior management enabling an exchange of information about the group and the participating firms – feedback to the participating firms was given;
- ✓ technology presentations were made to the group's senior management;
- ✓ written proposals were submitted to the committee for its consideration – these outlined key firm details, resourcing and the proposed audit team, audit approach, transition approach and challenges, quality assurance, independence and governance and a fee proposal;
- ✓ presentations on audit approach were given to the committee; and
- ✓ participating firms were judged against objective criteria determined in advance of the process.

In mid-December, the committee concluded that it was appropriate to recommend the re-appointment of EY as the company's auditor. EY has expressed its willingness to continue in office and a resolution to re-appoint them will therefore be proposed at the forthcoming AGM.

## Qualification, objectivity, independence etc. of EY during the period

The committee felt that the qualification, expertise, resources and effectiveness of EY were appropriate in the context of the group wanting an effective and high-quality service, and that EY was independent of the group and not reliant on fees from the group. The committee concluded that EY's work had been robust and perceptive, with EY's reports showing a good understanding of the company's business. As part of its assessment process, the committee had:

- ✓ reviewed the audit plan for the period ended 1 April 2019 as regards the activities to be undertaken by EY and EY's final audit results report, and considered how EY had handled the key accounting and audit matters that had arisen;
- ✓ been provided with a copy of the Financial Reporting Council's June 2018 audit quality inspection report in respect of EY and a copy of EY's published transparency report for the UK;
- ✓ reviewed an independence report prepared by EY, which contained all significant facts and matters bearing upon EY's independence and objectivity that EY was required to communicate to the company as per the FRC Ethical Standard and ISA (UK) 260 "Communication of audit matters with those charged with governance";
- ✓ considered EY's proposed fees for the group's audit for the period ended 1 April 2019 and the additional non-audit services for that same period; and
- ✓ obtained the views of management.

The fees paid to EY for audit services for the financial period ended 1 April 2019 were £0.2 million (2018: £0.2 million).

## Risk and internal control

The board has overall responsibility for the group's systems of internal control and risk management and for reviewing their effectiveness. These systems cannot eliminate risk and are therefore designed to manage it – they provide reasonable but not absolute assurance and seek to:

- mitigate risks which might cause the failure of business objectives;
- prevent material misstatement or loss;
- help safeguard assets against unauthorised use or disposal;

# Corporate governance report

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- ensure the maintenance and reliability of proper accounting records and financial information used within the business or for publication; and
- help achieve compliance with applicable laws and regulations.

The executive directors are responsible for implementing and maintaining the systems, and the committee assists the board in fulfilling its oversight responsibilities by monitoring the systems' integrity.

The group's strategic priorities and their connection to the principal risks and uncertainties facing the business are listed on page 4. This is not an exhaustive list of all significant risks and uncertainties; some may currently be unknown and others currently regarded as immaterial could turn out to be material.

The following is an overview of the main parts of the group's systems of internal control and risk management:

- clearly defined reporting lines up to the board;
- clearly set levels of authorisation throughout the business;
- a detailed financial controls memorandum;
- the preparation of a comprehensive annual budget and the preparation of a vision document which is reviewed and approved by the executive directors and then further reviewed and approved by the board;
- the circulation of monthly management accounts, including commentary on significant variances, updated profit and cash flow expectations for the year and actual capital expenditure compared to budget and signed-off sums;
- a detailed investment approval process requiring board authorisation for all pub purchases and major projects (with regular performance reviews of invested pubs for a certain period post-investment);
- board approval for disposals;
- regular reporting of legal and accounting developments to the board;
- regular circulation of, and assessment of Riverside House employees' understanding of, the group's anti-bribery policy;
- the group's internal audit function and the group's in-house team of retail auditors; and
- on-going health and safety audits and monitoring of accident statistics, with audit results being a standing item at board meetings.

The group's internal audit manager reports to both the company secretary and the chief financial officer/interim chief financial officer and is independent of the areas which he reviews. During the period, the internal audit manager tested various controls contained in the financial controls memorandum to assess their effectiveness. The results of his work were shared with the executive directors concerned and with the committee. With that committee's approval, changes were then made to the financial controls memorandum. The internal audit manager also carried out internal reviews of financial, compliance and operational areas according to a programme set by the committee following input from the chief financial officer. His review reports, the management responses and the recommended actions, were presented to the committee. Management may supplement the internal resource for these reviews with specialist external resources; however, none were perceived as being required during the period, although external advice is being sought in relation to cyber threats.

The group's in-house team of retail auditors is led by an experienced member of the group's finance team and is responsible for co-ordinating the audits as well as performing some of them. The rest of the team have relevant experience, whether that be from having worked in the finance department or in one or more pubs; in each case, the person performing the audit is independent of the area that is the subject of the audit. Throughout the period, this team monitored the controls in place in the group's managed pubs and hotels, in particular those covering stock and cash.

The group has business continuity arrangements in place with third parties. It also has business continuity plans for each of the departments within Riverside House.

The group has a whistleblowing policy that is overseen by the committee. This policy allows staff to raise any concerns in confidence directly with the chairman of the committee, the company secretary or the group's internal audit manager. Experience to date suggests that this policy is effective and staff members are aware of it.

## Remuneration committee



The committee's primary function is to determine the remuneration packages of the executive directors. This is in the context of the company's reward policy, the principal objective of which is the recruitment and retention of officers with appropriate skills and qualities to drive the company's strategy and deliver value for shareholders.

**Nick Miller**, Committee Chairman

### Primary function

The committee's primary function is to determine the remuneration packages of the executive directors. This is in the context of the company's reward policy, the principal objective of which is the recruitment and retention of officers with appropriate skills and qualities to drive the company's strategy and deliver value for shareholders.

### Terms of reference

The committee's duties are set out in its terms of reference which can be found in the investors section of [www.youngs.co.uk](http://www.youngs.co.uk).

### Committee membership, meetings and attendance

The committee comprises three of the board's non-executive directors. It is chaired by Nick Miller; the other two members are Roger Lambert and Trish Corzine. All of them served on the committee throughout the period. The committee met five times during the period and the table on page 29 sets out each member's attendance record. During the period, Patrick Dardis, in his capacity as chief executive, was invited to provide input to the committee when it considered the performance of the other executive directors.

### Advice, guidance and information

During the period, Deloitte helped the committee in its review of the remuneration arrangements of the executive directors – for further detail, see the *Remuneration: executive directors* section below. More generally, advice and guidance is provided by the company secretary. Where possible, agendas and supporting papers are provided to the committee a week before its meetings – the following were amongst the papers provided to the committee during the period:

- an independent report prepared by Deloitte on the remuneration packages of the board's executive directors;
- a pack of financial and other information to help the committee determine the extent to which the financial performance and other conditions for the executive directors' performance-related bonuses for FY2017/18 had been met;

- a pack of financial information and proposed personal objectives to help the committee set the performance conditions applicable to the executive directors' performance-related bonus awards for FY2018/19; and
- the December 2018 edition of 'FTSE AIM Directors' Remuneration' published by FIT Remuneration Consultants LLP to help the committee to set the executive directors' basic salaries for FY2019/20.

### Remuneration: executive directors

Against the background of the company's reward policy, the committee decided a number of years ago that total remuneration levels for the executive directors should be in line with the market for the performance achieved, with an element of the total remuneration varying according to achievement of key performance targets. The main elements of the executives' reward packages therefore comprise:

- a basic salary;
- a range of benefits, including life assurance, regular medical check-ups, a car scheme/allowance (at levels set in 2008), private medical insurance and a pension (see note 8(b) on page 57); and
- to satisfy the 'variable' element, a stretching deferred annual bonus scheme.

The bonus awards are subject to caps equal to either 125% of basic annual salary (Patrick Dardis) or 100% of basic annual salary (Torquil Sligo-Young and Tracy Dodd). The key performance targets relevant to the bonus scheme for FY2018/19 (and the extent of the award dependent on each target, expressed as a percentage of basic annual salary) were as follows:

	Financial performance targets	Personal objectives	Total
Patrick Dardis	125%	–	125%
Torquil Sligo-Young	50%	50%	100%
Tracy Dodd	50%	50%	100%

The financial performance targets were linked to adjusted profit before tax, like-for-like sales growth and return on capital employed. The inclusion of personal objectives for Torquil Sligo-Young and Tracy Dodd recognised the specific executive roles and responsibilities they have. The targets and objectives are confidential; they have not therefore been included in this report.

The committee believes that the bonus scheme supports the company's strategy and business plan by incentivising the executive directors in a way that is aligned with both the group's long-term financial performance and the interests of shareholders – note 27(a) starting on page 76 provides further details of how the scheme operates.

With the last independent review of executive remuneration having been carried out in 2008, the committee had become conscious that the executives' remuneration levels might have fallen out of line with the market for the performance achieved; this was especially so bearing in mind that, since that time, the company had delivered sustained, strong performance and growth, outperformed sector peers and had seen its revenue and market capitalisation grow by c. 120% and c. 190% respectively. The committee had therefore asked Deloitte to undertake a review of total compensation arrangements from a number of perspectives (including benchmarking, review of structures against market practice, positioning and performance) and to set out potential approaches. The market positioning assessment was carried out against companies of a similar size to the company by market capitalisation, as well as, in the case of the positions of chief executive and chief financial officer, sector peers (brewing/hospitality companies).

The committee met with Deloitte to discuss its findings shortly after the start of the period; this resulted in some follow-up work that then enabled the committee to decide on the executives' packages for FY2018/19. Although instructive, the market data reported by Deloitte was not looked at in isolation – the executives were considered by the committee on an individual basis, together with their performance in their role, as well as the then current environment and company performance.

As a result, the committee felt, supported by the work undertaken by Deloitte, that the packages at chief executive and chief financial officer level were below the market competitive range. Taking into account the performance and growth of the company and the fact that the executive remuneration framework had remained unchanged for the last ten years, the committee considered that it would be reasonable to include a step change increase in their overall remuneration. The structure and design of the deferred annual bonus scheme was largely left untouched as it was considered to continue to be aligned to the company's strategy and culture: in particular, the requirement for the executives to actively commit to purchase shares (to get the full potential from the scheme) enhances alignment to shareholders.

Therefore, to address the competitiveness of the packages, the committee instead revised significantly the basic salaries of the chief executive and chief financial officer. The basic salaries for Torquil Sligo-Young and Tracy Dodd were raised broadly in line with inflation. The salary increases were effective from 1 April 2018. In making the increases, the committee was aware of the annual pay review that the executive committee had carried out for staff at Riverside House.

The committee believes that the company's reward policy as regards the executive directors is consistent with the group's risk management policy as it does not encourage inappropriate risks to be taken to achieve the performance targets; the focus is very much on a long-term remuneration model.

Details of the remuneration of each executive director who was in office during the period appear in note 8(b) on page 57. Details of pension benefits, other benefits (principally car-related (which can be taken in cash and if this is done they are then shown as part of a director's basic salary and fees) and private medical insurance) and interests in the company's savings-related share option scheme are in notes 8(b) and 8(e) respectively, on pages 57 and 58 respectively. No executive director is involved in deciding their own remuneration.

## Remuneration: non-executives

The initial remuneration of the non-executive directors is determined by the board, but any fee increase is decided by the executive committee, with the intention being that the fees paid are not out of line with the market and go some way towards rewarding the non-executives for the time they commit to the business. Accordingly, all non-executive directors receive a basic fee; generally, they do not participate in bonus schemes or share options and they are not members of any group pension scheme other than for the purposes of complying with pension auto-enrolment legislation. As a result of having been an executive director, Stephen Goodyear still holds shares under the deferred annual bonus scheme (see note 27(a) starting on page 76) and is a pensioner member of the group's defined benefit pension scheme – during the period, he exercised his remaining SAYE share option (see note 27 on page 75). The non-executive directors are entitled to be reimbursed for certain business-related expenses. Details of the remuneration of the non-executive directors appear in note 8(b) on page 57.

By order of the board

**ANTHONY SCHROEDER**

Company Secretary

22 May 2019



# Independent auditor's report

For the 52 weeks ended 1 April 2019

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

### Opinion

In our opinion:

- Young & Co.'s Brewery, P.L.C.'s group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 1 April 2019 and of the group's profit for the 52 week period then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Young & Co.'s Brewery, P.L.C. which comprise:

Group	Parent company
Group balance sheet as at 1 April 2019	Balance sheet as at 1 April 2019
Group income statement for the 52 weeks then ended	Statement of changes in equity for the 52 weeks then ended
Group statement of comprehensive income for the 52 weeks then ended	Statement of cash flow for the 52 weeks then ended
Group statement of changes in equity for the 52 weeks then ended	
Group statement of cash flow for the 52 weeks then ended	
Related notes 1 to 32 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards to the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Overview of our audit approach

<b>Key audit matters</b>	<ul style="list-style-type: none"> <li>• Valuation of the pub estate</li> <li>• Deferred tax arising on the valuation of the pub estate</li> <li>• Redcomb Pubs preliminary purchase price allocation (new risk for 2019)</li> <li>• Supplier rebates</li> <li>• Management override in the recognition of revenue</li> </ul>
<b>Audit scope</b>	<ul style="list-style-type: none"> <li>• We performed an audit of the complete financial information of the group, which accounted for 100% of profit before taxation and exceptional items, 100% of revenue and 100% of total assets</li> </ul>
<b>Materiality</b>	<ul style="list-style-type: none"> <li>• Overall group materiality of £2.2 million, which represents 5% of profit before taxation and exceptional items</li> </ul>

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

# Independent auditor's report

Continued



## Valuation of the group's pub estate

Refer to the Audit Committee Report (page 33); accounting policies (page 51); and note 17 of the group financial statements (page 64).

In accordance with the group's accounting policy for property and equipment, management applies the revaluation model for the pub estate, which had a carrying value of £807.0 million at 1 April 2019 (2018: £742.9 million). As permitted by IAS 16 and in common with other listed pub operators in the UK, this revaluation was achieved through:

- A reassessment of the fair maintainable trade of each pub based on its current and forecast trading performance, or a spot valuation;
- A revaluation by Sian Tunney, a valuation specialist at Savills, independent chartered surveyors, of a representative sample of 20% of the group's pubs, including pubs of varying tenure, location and type; and
- A revaluation of the remaining 80% of the pub estate internally, led by Andrew Cox, the group's director of property and tenancies, using updated trading results, management's knowledge of each pub, and appropriate consideration of the results of the external valuation.

This involves significant management judgement, particularly in respect of the methodology and assumptions used in the valuation model. Management also assesses viable alternative uses for a property should they provide increased value.

### Our response to the risk

We performed a walkthrough of each aspect of the group's pub valuation process and assessed the design effectiveness of the key controls that were in place.

We met with management and the group's external valuation specialists to discuss their valuation approach and the judgements made in determining the fair value of the pub estate. These included the fair maintainable trade, EBITDA multiples and spot valuations.

We assessed the competence and objectivity of the external valuer including consideration of its qualifications and expertise.

We tested management's valuation model for mathematical accuracy and consistency with underlying records. This included an assessment of the fair maintainable trade of each pub by reference to the group's financial records, management's historical forecasting accuracy, and its consideration of the external valuation results on the remainder of the estate.

Of the group's 222 freehold and long leasehold pubs, with support from our property valuations specialists we tested a sample of 66 pub valuations. We performed testing over the underlying valuation assumptions, with a particular focus on pubs valued using a spot valuation as these involved a higher level of management judgement.

We benchmarked the group's pub valuations by comparing with other pub market transactions.

We verified that changes in pub valuations were appropriately accounted for through the revaluation reserve or the income statement.

We considered the appropriateness of the valuation disclosures in note 17 of the group financial statements and whether they were compliant with the fair value information required under IFRS 13.

### Scope of our procedures

We performed full scope audit procedures over the valuation of the group's entire pub estate.

### Key observations communicated to the Audit Committee

We executed our procedures as planned and we consider the valuation to be appropriate and on a consistent basis to 2018. There is also appropriate disclosure on the pub estate valuation in note 17 to the group financial statements.

## Deferred tax on the group's pub estate



Refer to the Audit Committee Report (page 33); accounting policies (page 51); and note 23 of the group financial statements (page 72).

There is complexity in the group's accounting for deferred tax and, specifically, a significant level of management judgement is required in accounting for deferred tax arising on the valuation of the pub estate.

Both management judgement and complex calculations are required to estimate the deferred tax arising in respect of the valuation of each pub. These judgements are focused on:

- the treatment of capital losses, rollover relief, indexation allowances and initial recognition exemptions;
- recognising deferred tax on the pubs on a sale, in-use or a dual basis; and
- recognising the deferred tax at the correct corporation tax rate, depending on the underlying assumptions.

### Our response to the risk

We performed a walkthrough of the group's process for determining the deferred tax arising from the valuation of the pub estate. We also assessed the design effectiveness of the key controls that were in place.

In conjunction with our tax specialists we tested the deferred tax calculations based on the valuation of each pub. This focused on verifying the inputs into the deferred tax calculation, testing its mathematical accuracy and recalculating the deferred tax for a sample of pubs across the estate. This included a review of capital losses, rollover relief, indexation allowances and initial recognition exemptions.

We challenged management on the assumptions used in calculating the deferred tax balances, including whether the deferred tax was consistent with the group's intended use of each pub – being a sale, in-use or a dual basis.

We evaluated if the tax rates applied in calculating the deferred tax on the group's pub estate were appropriate based on when the balances are expected to unwind.

We considered whether the related deferred tax disclosures, included in note 23 to the group financial statements, were in line with IAS 12 requirements.

### Scope of our procedures

We performed full scope audit procedures over all the group's deferred tax on the group's pub estate.

### Key observations communicated to the Audit Committee

We considered management's judgements in the recognition of deferred tax arising on the valuation of the pub estate to be appropriate and consistent with 2018. We also consider that the disclosures in note 23 to the group financial statements are appropriate.



## Redcomb Pubs preliminary purchase price allocation (new risk for 2019)

Refer to the Audit Committee Report (page 33); accounting policies (page 51); and note 13 of the group financial statements (page 61).

In January 2019 the group acquired Redcomb Pubs for a total cash cost of £31.7 million, on a cash and debt-free basis. The acquisition was accounted for as a business combination and involved a number of significant and complex judgements, particularly in identifying and determining the fair value of the assets acquired and liabilities assumed.

Management performed a preliminary purchase price allocation exercise, assisted by external experts. The primary element of the valuation exercise assessed the fair value of the 15 pubs acquired. The allocation also considered the fair values of intangible assets, borrowings, contract liabilities, other assets and liabilities and deferred tax. The remaining consideration was recognised as goodwill.

This is a new key audit matter in the current year.

### Our response to the risk

We performed a walkthrough of the group's process for determining the fair value of assets acquired and liabilities assumed, including the completeness of those assets and liabilities, and assessed the design effectiveness of the key controls that were in place.

We read the Sale and Purchase Agreement to corroborate the group's accounting conclusions and identify any clauses that could have an accounting impact.

We assessed the group's considerations as to whether acquired leasehold pubs should be accounted for as finance or operating leases under IAS 17 Leases.

For freehold pubs and leasehold pubs accounted for as finance leases, we obtained the group's external expert's reports supporting the value of the pubs and performed the same procedures as we describe for the "valuation of the pub estate" key audit matter.

For leasehold pubs accounted for as operating leases, we involved our valuation specialists to assist us in assessing the appropriateness of the methodology and the key assumptions applied to value the assets and liabilities acquired.

For other assets acquired and liabilities assumed, we evaluated the group's methodology, assumptions and estimates used in determining the fair value.

We evaluated the competence and independence of the experts used by the group by reference to their qualifications and experience.

We evaluated whether appropriate disclosures are included in the group financial statements.

#### Scope of our procedures

We performed full scope audit procedures over the entire acquisition.

#### Key observations communicated to the Audit Committee

We evaluated that the preliminary identification and valuation of assets and liabilities acquired was complete and accurate, and that the disclosures made in the financial statements are in accordance with IFRS 3.

## Supplier rebates



Refer to the Audit Committee Report (page 33) and accounting policies (page 51).

The group earns supplier income through purchase volume discounts and stocking incentives. Stocking incentives are received through holding certain products within a pub and are set at a fixed amount. Purchase volume discounts are received based on the number of units purchased from suppliers.

Given the quantum of supplier rebates as a percentage of the group's profit and the risk of incorrect cut-off applied around the year end, we consider there to be a risk over this figure. This is focused on any changes to volume discounts and stocking incentive arrangements and the recognition of rebates in the appropriate period.

### Our response to the risk

We performed a walkthrough of the group's process over the recognition of volume discounts and stocking incentives and assessed the design effectiveness of the key controls that were in place.

For a sample of supplier arrangements, we agreed key terms used to calculate the rebate to external confirmation and recalculated amounts recorded.

We verified that rebates have been appropriately recorded in the correct period through cut-off testing at the year end.

We evaluated management's year end rebate estimates by considering the outturn of prior period rebate estimates.

We assessed the recoverability of unsettled rebates with reference to historical settlements, the group's relationships with its suppliers and post year end settlements.

#### Scope of our procedures

We performed full scope audit procedures over all of the group's supplier rebates.

#### Key observations communicated to the Audit Committee

We considered the supplier rebate income recognised in the year to be appropriate, given the contractual arrangements in place.

# Independent auditor's report

Continued



## Management override in the recognition of revenue

Refer to the Audit Committee Report (page 33) and accounting policies (page 51).

The vast majority of the group's revenue transactions are non-complex, with no judgement applied over the amount recorded.

We consider the significant risk relating to revenue to be around management override of controls and topside journals to revenue in the managed and tenanted estate.

For managed houses, revenue is typically comprised of a large number of low-value transactions. Although there is little management judgement involved, there is a risk that manual topside adjustments could be posted which could result in revenue being overstated or sales not being recorded. For the Ram Pub Company (tenanted pubs) there is also a risk that manual topside adjustments could be posted to revenue.

The group also adopted IFRS 15 for revenue recognition from 3 April 2018. Based on its detailed assessment and given the nature of the group's revenue, with the vast majority of transactions settled at the point of consumption, management concluded that the adoption of IFRS 15 has no material impact on the group.

## Our response to the risk

We performed a walkthrough of each of the group's significant revenue processes, including the recording of manual journal adjustments, and assessed the design effectiveness of the key controls that were in place.

We applied correlation data analysis over the group's revenue journal population to identify how much of the revenue is converted to cash and to isolate non-standard revenue transactions for further analysis.

We identified manual journals to revenue and obtained corroborative evidence to support them.

We performed cut-off testing procedures including review of post period end cash receipts and journals and an analytical review of significant variances.

We understood management's process for assessing the impact of the adoption of IFRS 15, including validating key assumptions and conclusions to underlying contracts where appropriate.

### Scope of our procedures

We performed full scope audit procedures over all of the group's revenue.

### Key observations communicated to the Audit Committee

We did not identify any instances of management override of controls, including through topside journals. Based on our work, which included using data analysis tools to examine the correlation of 100% of the group's revenue to cash receipts, we consider that revenue is fairly stated. We also agree with management's conclusion that the adoption of IFRS 15 has not had a material impact on the group.

## An overview of the scope of our audit

### Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the group. Taken together, this enables us to form an opinion on the consolidated financial statements.

The group's operations are based solely in the United Kingdom with a single head office finance function and therefore all audit procedures are completed by one audit team at this location. The audit team includes tax and IT specialists.

In assessing the risk of material misstatement to the group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements we performed full scope audit procedures over 100% of the group's results for the 52 weeks to 1 April 2019 and 100% of the group's total assets at that date. We obtained an understanding of the entity-level controls of the group which assisted us in identifying and assessing risks of material misstatement due to fraud or error, as well as assisting us in determining the most appropriate audit strategy.

### Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

### Materiality

*The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.*

We determined materiality for the group to be £2.2 million (2018: £2.0 million), which is 5% (2018: 5%) of profit before taxation

and exceptional items. We believe that profit before taxation and exceptional items is considered to be the primary area of focus of the group's stakeholders. We exclude the impact of exceptional items, as they are non-recurring items which do not reflect the underlying trading performance of the group.



During the course of our audit, we reassessed initial materiality and did not make any changes based on final results.

### Performance materiality

*The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.*

On the basis of our risk assessments, together with our assessment of the group's overall control environment, our judgement was that performance materiality was 75% (2018: 75%) of our planning materiality, namely £1.6 million (2018: £1.5 million). We have maintained performance materiality at this percentage reflecting the results of our testing of the group's systems and processes and historical audit findings.

## Reporting threshold

*An amount below which identified misstatements are considered as being clearly trivial.*

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.1 million (2018: £0.1 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

## Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

## Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

## Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 23, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

## Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.

Jon Killingley (Senior statutory auditor)  
 for and on behalf of Ernst & Young LLP, Statutory Auditor  
 London  
 22 May 2019

## Notes:

1. The maintenance and integrity of the Young & Co.'s Brewery, P.L.C. website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Group income statement

For the 52 weeks ended 1 April 2019

	Notes	2019 £m	2018 £m
<b>Revenue</b>	6	<b>303.7</b>	279.3
Operating costs before exceptional items	7	<b>(255.2)</b>	(232.4)
Operating profit before exceptional items		<b>48.5</b>	46.9
Operating exceptional items	9	<b>(3.9)</b>	(3.4)
<b>Operating profit</b>		<b>44.6</b>	43.5
Finance costs	11	<b>(5.0)</b>	(5.6)
Other finance charges	24	<b>(0.1)</b>	(0.3)
<b>Profit before tax</b>		<b>39.5</b>	37.6
Taxation	12	<b>(8.0)</b>	(7.5)
<b>Profit for the period attributable to shareholders of the parent company</b>		<b>31.5</b>	30.1
		<b>Pence</b>	Pence
<b>Earnings per 12.5p ordinary share</b>			
Basic	15	<b>64.36</b>	61.60
Diluted	15	<b>64.31</b>	61.56

All of the results above are from continuing operations.

The notes on pages 50 to 79 form part of these financial statements.  
The independent auditor's report is set out on pages 39 to 43.

## Group statement of comprehensive income

For the 52 weeks ended 1 April 2019

	Notes	2019 £m	2018 £m
<b>Profit for the period</b>		<b>31.5</b>	30.1
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Unrealised gain on revaluation of property	17	<b>25.3</b>	29.2
Remeasurement of retirement benefit schemes	24	<b>(1.2)</b>	5.8
Tax on above components of other comprehensive income		<b>(3.2)</b>	(4.5)
<i>Items that will be reclassified subsequently to profit or loss:</i>			
Fair value movement of interest rate swaps	22	<b>0.5</b>	4.3
Tax on fair value movement of interest rate swaps		<b>(0.1)</b>	(0.7)
		<b>21.3</b>	34.1
<b>Total comprehensive income for shareholders of the parent company</b>		<b>52.8</b>	64.2

All of the results above are from continuing operations.

The notes on pages 50 to 79 form part of these financial statements.  
 The independent auditor's report is set out on pages 39 to 43.

## Balance sheets

At 1 April 2019

	Notes	Group		Company	
		2019 £m	2018 £m	2019 £m	2018 £m
<b>Non-current assets</b>					
Goodwill and intangible assets	16	33.5	19.7	1.9	1.9
Property and equipment	17	807.0	742.9	777.7	737.6
Investment in subsidiaries	18	–	–	35.8	35.7
Deferred tax assets	23	7.4	6.4	7.4	6.4
Lease premiums		12.9	13.6	4.8	5.2
		<b>860.8</b>	782.6	<b>827.6</b>	786.8
<b>Current assets</b>					
Inventories	19	3.7	3.0	3.4	3.0
Trade and other receivables	20	8.3	7.0	24.5	8.6
Lease premiums		0.7	0.8	0.3	0.3
Cash		8.5	7.2	8.2	7.2
		<b>21.2</b>	18.0	<b>36.4</b>	19.1
<b>Total assets</b>		<b>882.0</b>	800.6	<b>864.0</b>	805.9
<b>Current liabilities</b>					
Borrowings	22	(8.5)	(10.0)	(8.5)	(10.0)
Derivative financial instruments	22	(1.9)	(1.9)	(1.9)	(1.9)
Trade and other payables	21	(35.9)	(30.9)	(39.9)	(88.2)
Income tax payable		(4.8)	(4.3)	(4.4)	(4.2)
		<b>(51.1)</b>	(47.1)	<b>(54.7)</b>	(104.3)
<b>Non-current liabilities</b>					
Borrowings	22	(163.6)	(137.7)	(163.6)	(137.7)
Derivative financial instruments	22	(4.2)	(4.7)	(4.2)	(4.7)
Deferred tax liabilities	23	(60.6)	(54.6)	(57.9)	(54.6)
Retirement benefit schemes	24	(8.6)	(6.1)	(8.6)	(6.1)
Other liabilities	25	(0.5)	(1.2)	(0.5)	(1.2)
		<b>(237.5)</b>	(204.3)	<b>(234.8)</b>	(204.3)
<b>Total liabilities</b>		<b>(288.6)</b>	(251.4)	<b>(289.5)</b>	(308.6)
<b>Net assets</b>		<b>593.4</b>	549.2	<b>574.5</b>	497.3
<b>Capital and reserves</b>					
Share capital	26	6.1	6.1	6.1	6.1
Share premium		6.7	5.7	6.7	5.7
Capital redemption reserve		1.8	1.8	1.8	1.8
Hedging reserve		(4.8)	(5.2)	(4.8)	(5.2)
Revaluation reserve		295.1	273.3	286.2	264.4
Retained earnings		288.5	267.5	278.5	224.5
<b>Total equity</b>		<b>593.4</b>	549.2	<b>574.5</b>	497.3

The company's profit after tax for the period was £64.5 million (2018: £23.7 million).

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

**Patrick Dardis**

Chief Executive

22 May 2019

The notes on pages 50 to 79 form part of these financial statements.  
Young & Co.'s Brewery, P.L.C. registered in England number 32762.



# Statements of cash flow

For the 52 weeks ended 1 April 2019

	Notes	Group		Company	
		2019 £m	2018 £m	2019 £m	2018 £m
<b>Operating activities</b>					
Net cash generated from operations	29	69.2	61.4	56.3	53.8
Tax paid		(9.2)	(9.1)	(9.0)	(9.1)
<b>Net cash flow from operating activities</b>		<b>60.0</b>	52.3	<b>47.3</b>	44.7
<b>Investing activities</b>					
Sale of property and equipment		1.3	2.1	1.3	2.1
Purchases of property, equipment and lease premiums	17	(33.9)	(30.4)	(32.1)	(29.5)
Business combinations, net of cash acquired	13	(25.3)	(23.0)	(6.9)	(15.0)
Investment in subsidiaries		–	–	(18.4)	–
<b>Net cash used in investing activities</b>		<b>(57.9)</b>	(51.3)	<b>(56.1)</b>	(42.4)
<b>Financing activities</b>					
Interest paid		(5.1)	(5.3)	(5.1)	(5.3)
Issued equity		0.3	–	0.3	–
Equity dividends paid	14	(9.9)	(9.3)	(9.9)	(9.3)
Repayment of borrowings		(12.1)	(20.0)	(1.5)	(20.0)
Proceeds from borrowings		26.0	34.2	26.0	34.2
<b>Net cash flow used in financing activities</b>		<b>(0.8)</b>	(0.4)	<b>9.8</b>	(0.4)
Increase in cash		1.3	0.6	1.0	1.9
Cash at the beginning of the period		7.2	6.6	7.2	5.3
<b>Cash at the end of the period</b>		<b>8.5</b>	7.2	<b>8.2</b>	7.2

The notes on pages 50 to 79 form part of these financial statements.

# Group statement of changes in equity

At 1 April 2019

	Notes	Share capital <sup>(1)</sup> £m	Capital redemption reserve £m	Hedging reserve £m	Revaluation reserve £m	Retained earnings £m	Total equity £m
<b>At 3 April 2017</b>		<b>11.3</b>	<b>1.8</b>	<b>(8.8)</b>	<b>247.7</b>	<b>241.0</b>	<b>493.0</b>
<b>Total comprehensive income</b>							
Profit for the period		–	–	–	–	30.1	30.1
<b>Other comprehensive income</b>							
Unrealised gain on revaluation of property	17	–	–	–	29.2	–	29.2
Remeasurement of retirement benefit schemes	24	–	–	–	–	5.8	5.8
Fair value movement of interest rate swaps	22	–	–	4.3	–	–	4.3
Tax on above components of other comprehensive income	12	–	–	(0.7)	(3.5)	(1.0)	(5.2)
		–	–	3.6	25.7	4.8	34.1
<b>Total comprehensive income</b>		–	–	3.6	25.7	34.9	64.2
<b>Transactions with owners recorded directly in equity</b>							
Share capital issued		0.5	–	–	–	–	0.5
Dividends paid on equity shares	14	–	–	–	–	(9.3)	(9.3)
Revaluation reserve realised on disposal of properties		–	–	–	(0.1)	0.1	–
Share based payments	27	–	–	–	–	0.6	0.6
Movement in shares held by the Ram Brewery Trust II		–	–	–	–	0.2	0.2
		0.5	–	–	(0.1)	(8.4)	(8.0)
<b>At 2 April 2018</b>		<b>11.8</b>	<b>1.8</b>	<b>(5.2)</b>	<b>273.3</b>	<b>267.5</b>	<b>549.2</b>
<b>Total comprehensive income</b>							
Profit for the period		–	–	–	–	31.5	31.5
<b>Other comprehensive income</b>							
Unrealised gain on revaluation of property	17	–	–	–	25.3	–	25.3
Remeasurement of retirement benefit schemes	24	–	–	–	–	(1.2)	(1.2)
Fair value movement of interest rate swaps	22	–	–	0.5	–	–	0.5
Tax on above components of other comprehensive income	12	–	–	(0.1)	(3.5)	0.3	(3.3)
		–	–	0.4	21.8	(0.9)	21.3
<b>Total comprehensive income</b>		–	–	0.4	21.8	30.6	52.8
<b>Transactions with owners recorded directly in equity</b>							
Share capital issued		1.0	–	–	–	–	1.0
Dividends paid on equity shares	14	–	–	–	–	(9.9)	(9.9)
Share based payments	27	–	–	–	–	0.3	0.3
		1.0	–	–	–	(9.6)	(8.6)
<b>At 1 April 2019</b>		<b>12.8</b>	<b>1.8</b>	<b>(4.8)</b>	<b>295.1</b>	<b>288.5</b>	<b>593.4</b>

<sup>(1)</sup> Total share capital comprises the nominal value of the share capital issued and fully paid of £6.1 million (2018: £6.1 million) and the share premium account of £6.7 million (2018: £5.7 million). Share capital issued in the period comprises the nominal value of £nil (2018: £nil) and share premium of £1.0 million (2018: £0.5 million).

The notes on pages 50 to 79 form part of these financial statements.

## Parent company statement of changes in equity

At 1 April 2019

	Notes	Share capital <sup>(1)</sup> £m	Capital redemption reserve £m	Hedging reserve £m	Revaluation reserve £m	Retained earnings £m	Total equity £m
<b>At 3 April 2017</b>		<b>11.3</b>	<b>1.8</b>	<b>(8.8)</b>	<b>238.8</b>	<b>204.4</b>	<b>447.5</b>
<b>Total comprehensive income</b>							
Profit for the period		–	–	–	–	23.7	23.7
<b>Other comprehensive income</b>							
Unrealised gain on revaluation of property	17	–	–	–	29.2	–	29.2
Remeasurement of retirement benefit schemes	24	–	–	–	–	5.8	5.8
Fair value movement of interest rate swaps	22	–	–	4.3	–	–	4.3
Tax on above components of other comprehensive income	12	–	–	(0.7)	(3.5)	(1.0)	(5.2)
		–	–	3.6	25.7	4.8	34.1
<b>Total comprehensive income</b>		–	–	3.6	25.7	28.5	57.8
<b>Transactions with owners recorded directly in equity</b>							
Share capital issued		0.5	–	–	–	–	0.5
Dividends paid on equity shares	14	–	–	–	–	(9.3)	(9.3)
Revaluation reserve realised on disposal of properties		–	–	–	(0.1)	0.1	–
Share based payments	27	–	–	–	–	0.6	0.6
Movement in shares held by the Ram Brewery Trust II		–	–	–	–	0.2	0.2
		0.5	–	–	(0.1)	(8.4)	(8.0)
<b>At 2 April 2018</b>		<b>11.8</b>	<b>1.8</b>	<b>(5.2)</b>	<b>264.4</b>	<b>224.5</b>	<b>497.3</b>
<b>Total comprehensive income</b>							
Profit for the period		–	–	–	–	64.5	64.5
<b>Other comprehensive income</b>							
Unrealised gain on revaluation of property	17	–	–	–	25.3	–	25.3
Remeasurement of retirement benefit schemes	24	–	–	–	–	(1.2)	(1.2)
Fair value movement of interest rate swaps	22	–	–	0.5	–	–	0.5
Tax on above components of other comprehensive income	12	–	–	(0.1)	(3.5)	0.3	(3.3)
		–	–	0.4	21.8	(0.9)	21.3
<b>Total comprehensive income</b>		–	–	0.4	21.8	63.6	85.8
<b>Transactions with owners recorded directly in equity</b>							
Share capital issued		1.0	–	–	–	–	1.0
Dividends paid on equity shares	14	–	–	–	–	(9.9)	(9.9)
Share based payments	27	–	–	–	–	0.3	0.3
		1.0	–	–	–	(9.6)	(8.6)
<b>At 1 April 2019</b>		<b>12.8</b>	<b>1.8</b>	<b>(4.8)</b>	<b>286.2</b>	<b>278.5</b>	<b>574.5</b>

<sup>(1)</sup> Total share capital comprises the nominal value of the share capital issued and fully paid of £6.1 million (2018: £6.1 million) and the share premium account of £6.7 million (2018: £5.7 million). Share capital issued in the period comprises the nominal value of £nil (2018: £nil) and share premium of £1.0 million (2018: £0.5 million).

The notes on pages 50 to 79 form part of these financial statements.

# Notes to the financial statements

For the 52 weeks ended 1 April 2019

## 1. GENERAL INFORMATION

The group and parent company financial statements of Young & Co.'s Brewery, P.L.C. for the period ended 1 April 2019 were authorised for issue by the board of directors on 22 May 2019. 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 nature of the group's operations and its principal activities are set out in note 5 and in the strategic report on pages 1 to 19.

The current period and prior period relate to the 52 weeks ended 1 April 2019 and the 52 weeks ended 2 April 2018 respectively.

The financial statements are presented in pounds sterling, which is the functional currency of the parent company, and all values are rounded to the nearest hundred thousand (£0.1 million) except where otherwise indicated.

### Going concern

The group's business activities, together with the factors likely to affect its future development and performance, financial position and its cash flows are set out within the strategic report on pages 1 to 19. The group's capital management and financial instruments, including its objectives and exposures to interest risk, credit risk and liquidity and cash flow risk, are set out in note 22. A £10 million bank overdraft facility is used for day to day cash management.

The group's budgets and forecasts in trading performance, including sensitivity analysis, show that the group has sufficient financial resources to meet its liabilities as they fall due. As a consequence, the board has a reasonable expectation that the group is able to manage its business risks and to continue in operational existence for the twelve months from the date of signing the financial statements. Accordingly, the board continues to adopt the going concern basis in preparing the consolidated financial statements.

## 2. BASIS OF PREPARATION

The group and parent company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. IFRS includes the application of International Financial Reporting Standards including International Accounting Standards (IAS) and related Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and Interpretations of the Standing Interpretations Committee (SIC). During the period, new IFRS and amendments to existing IFRS were issued by the International Accounting Standards Board (IASB). The impact and, if applicable, the adoption of these standards is described below in "New Accounting Standards, Amendments and Interpretations".

No separate income statement or statement of comprehensive income are presented for the company, as permitted by section 408(3) of the Companies Act 2006.

### New Accounting Standards, Amendments and Interpretations

The group has adopted the following new accounting standards during the period:

IFRS 15: Revenue from contracts with customers became effective for the financial period starting on 3 April 2018. IFRS 15 introduces a five-step approach to the timing of revenue recognition based on performance obligations in customer contracts. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer. Most of the group's revenue, 98.6%, is through the sale of goods which have a very simple performance obligation, a low level of judgement applied in determining the consideration and the timing of transfer of control occurs at a point of time. The remainder of the group's revenue is made up of rental income received from tenanted and unlicensed properties and accrued interest using the effective interest method; both are outside of scope for IFRS 15. The group has adopted IFRS 15 using the modified retrospective method, thereby not requiring restatement of comparatives. Adoption has not had a material impact on the group's financial performance apart from extended disclosure requirements.

IFRS 9: Financial instruments became effective for the financial period starting 3 April 2018, introducing a new impairment model for financial assets and new rules for hedge accounting. The group does not have significant financial assets other than trade and other receivables. The carrying values of receivables, previously shown net of a provision for impairment, equates to fair value; under IFRS 9 they are carried at amortised cost less impairment due to their sole purpose being the collection of contract cash flows (the payment of the principal amount and if applicable interest). The change in measurement has had no impact on the group's financial position.

In determining the impairment to trade and other receivables, the group has applied the simplified approach permitted by IFRS 9, with expected lifetime credit losses recognised from initial recognition of the receivable. Expected credit losses are assessed by considering the group's historical credit loss experience, factors specific for each receivable, the current economic climate and expected changes in forecasts of future events. Changes in expected credit losses are recognised in the income statement. The adoption did not have a material impact on the group's financial performance or financial position.

The requirements of the new hedge accounting model did not have a material impact on the group's financial performance or financial position. The group's current interest rate swaps were considered highly effective under the previous standard, IAS 39, and qualified for hedge accounting and have remained so under IFRS 9.

Due to the adoption of the new standard having no material impact on the group, prior year comparatives have not been restated as permitted by IFRS 9. Expanded disclosure requirements have changed the extent of the group's current disclosures on financial instruments.

The directors will adopt the following Standards, Amendments and Interpretations listed below in the first full financial period following their effective date. The directors do not expect that adoption in future periods will have a material impact with the exception of IFRS 16:

		Effective date
IFRS 16	Leases	1 January 2019
IFRIC Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
IAS 19	Employee Benefits (Amendments)	1 January 2019
IFRS 3	Business Combination (Amendments)	1 January 2020

IFRS 16: 'Leases', replacing IAS 17, will be effective for the financial period starting on 2 April 2019. IFRS 16 removes the distinction between operating leases and finance leases for the lessee and will result in most leases being recognised on the balance sheet as a lease liability and a right-of-use asset. The lease liability will be recognised equal to the present value of the remaining lease payments discounted using an incremental borrowing rate at the date of initial application. Generally, the right-of-use asset will be recognised equal to the lease liability adjusted for initial direct costs (including lease premiums) and any prepaid or accrued lease payments. The only exception to this is for finance leased assets where the right-of-use asset on transition is based on the carrying value prior to transition. The right-of-use asset will be carried at cost going forwards.

There will be no impact on net assets at the date of adoption, but due to the different methods of unwinding the asset and liability, over time, a difference will arise.

For leases previously classified as operating leases, the operating lease rental charge will be removed and replaced with amortisation of the right-of-use asset and interest incurred on the lease liability. The group's current operating lease portfolio includes short leasehold properties, vehicles and certain office and computer equipment. IFRS 16 will reshape the income statement with changes in phasing to operating profit and profit before tax,

compared to the cost profiles and presentation in the income statement under IAS 17, however the total cost over any individual lease term remains unchanged. IFRS 16 will also impact the classification of associated cash flows in the consolidated cash flow statement.

The group will apply IFRS 16 using the modified retrospective approach and therefore no prior year restatement is required. The group has reviewed all lease contracts which fall within the scope of IFRS 16 and intends to apply the below practical expedients permitted under the modified retrospective approach:

- exclude leases for measurement and recognition for leases where the term ends within 12 months from the date of initial application;
- apply a single discount rate to a portfolio of leases with similar characteristics; and
- adjust the right-of-use asset on transition by any previously recognised onerous lease provisions.

Using discount rates based on lease specific incremental borrowing rates and based upon the current lease portfolio, the impact of applying IFRS 16 for the period to 1 April 2020 is expected to be as follows:

#### Income statement

Based on the group's lease portfolio at 2 April 2019, adjusted operating profit for the period ending 30 March 2020 is expected to increase by between £1.2 million and £1.8 million. This is a result of the lease expense of between £7.5 million and £8.5 million being replaced by depreciation on the right-of-use asset of between £6.0 million and £7.0 million. Finance costs are expected to increase by between £2.0 million and £3.0 million to reflect the current year unwinding of the discounted lease liability. Adjusted profit before tax would therefore reduce by between £0.7 million and £1.3 million, however adjusted EBITDA is expected to benefit by between £7.0 million and £9.0 million.

#### Balance sheet

At the opening balance sheet date of 2 April 2019, total assets and total liabilities are both expected to increase by between £78.0 million and £82.0 million. This is the result of the introduction of a lease liability and a right-of-use asset.

#### Cash flow statement

The principal lease payments and interest will be separately disclosed within the cash flow statement, no longer forming part of operating activities. The above items will have no effect on the group's net cash flow apart from certain disclosures and classifications.

Due to routine acquisitions and modifications to lease terms, the actual impact of IFRS 16 may vary to such an extent that the actual impact of IFRS 16 on the period to 1 April 2020 may be materially different to the amounts disclosed.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are set out below and have been applied consistently in presenting the group and parent company financial information.

#### (a) Basis of consolidation

The group's financial statements consolidate the financial statements of Young & Co.'s Brewery, P.L.C. with the entities it controls, its subsidiaries and a special purpose entity, drawn up to the period end. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The special purpose entity is the Ram Brewery Trust II; the trust holds assets for the benefit of employees and former employees, is an ESOP trust and is consolidated only in the group accounts.

The results of subsidiaries acquired or disposed of during the period are included in the group income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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.

#### (b) The parent company's investments in subsidiaries

In its separate financial statements, the parent company recognises its investments in its subsidiaries on the basis of cost less provision for impairment. Income is recognised from these investments in relation to distributions received.

#### (c) Revenue recognition

Revenue is measured at the transaction price when control passes to the customer in respect of goods and services provided, net of discounts and VAT. The group has transitioned to IFRS 15 under the modified retrospective method. Due to the nature of the goods and services sold, the judgements made in identifying performance obligations and transaction prices have not had an impact on the revenue recognised. The recognition of revenue under each of the group's material revenue streams is as follows:

##### Sale of goods

Revenue is recognised at a point in time when control of the goods or services is transferred to the customer.

##### Accommodation sales

Revenue is recognised on a straight-line basis over the duration of the room occupation.

##### Rental income

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

Rental income does not fall within the scope of IFRS 15.

#### (d) Exceptional items

Exceptional items are items which due to their material or non-recurring nature have been classified separately in order to draw them to the attention of the reader of the financial statements. They are included in the adjustments that, in management's judgement, are required to better reflect the business performance of the group in a consistent manner and to reflect how the business is managed and measured on a day to day basis.

#### (e) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred and the amount of any non-controlling interest in the acquiree. The consideration transferred is measured at the acquisition date fair value. The non-controlling interest is measured as the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in operating exceptional items.

Goodwill arising on acquisition represents the excess of the cost of acquisition over the fair value of the net identifiable assets acquired and liabilities assumed at the date of acquisition. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

# Notes to the financial statements

Continued

## (f) Property and equipment

Freehold and long leasehold properties, including land and buildings, fixtures, fittings and equipment are held at fair value and are revalued by qualified valuers on a sufficiently regular basis using open market values so that the carrying value of an asset does not differ significantly from its fair value at the balance sheet date. The valuation is assessed on the basis of the highest and best use.

Surpluses which arise from the revaluation exercise are included within other comprehensive income (in the revaluation reserve) unless they are reversing a revaluation adjustment which has been recognised in the income statement previously. Where the revaluation exercise gives rise to a deficit, this is reflected directly in other comprehensive income (in the revaluation reserve) to the extent that a surplus exists against the same asset. Any further decrease in value is recognised in the income statement as an exceptional expense. At the date of revaluation, any accumulated depreciation is eliminated to the extent of the difference between the revalued amount and the carrying value of the asset immediately before valuation.

Short leasehold improvements and fixtures, fittings and equipment within those sites are measured at cost on recognition, and are stated as such less any accumulated depreciation.

The carrying amount of an asset, less any residual value, is depreciated on a straight-line basis over the asset's useful life or lease term, if shorter. The residual value, useful life and depreciation method applied to each asset are reviewed annually. The group does not depreciate freehold land or the residual value of its freehold and long leasehold buildings.

Useful lives:

Freehold and long leasehold buildings	50 years
Short leasehold improvements	Shorter of the estimated useful life and the lease term
Fixtures, fittings and equipment	3-10 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 3(g)).

The gain arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset, and is recognised in the income statement. Property, plant and equipment are treated as disposals in the period of their write down.

## (g) Impairment of assets

The carrying values of investments, property and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is mandatorily assessed for impairment on an annual basis or more frequently if there are indications that the carrying value may be impaired.

Impairment is assessed on the basis of either each individual asset or each individual cash generating unit (an individual pub), or, in the case of goodwill, the group of cash generating units associated with it. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash generating units (or groups of cash generating units) that are expected to benefit from the combination.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the value in use, and is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. 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 are recognised in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised immediately in the group income statement unless the impairment loss relates to goodwill, in which case it is not reversed.

## (h) Leases

(1) 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.

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. Lease incentives are recognised as a reduction of rental costs over the lease term.

(2) Where the group is the lessor

Assets leased out under operating leases are included within property and equipment and are 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.

## (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) Cash

Cash in the balance sheet comprises cash at banks, cash in transit due from credit card providers and cash in hand. For the purpose of the group and parent company cash flow statements, cash is net of outstanding bank overdrafts. Cash and cash equivalents include only deposits which mature in less than three months.

## (k) Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently at amortised 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 crystallise.

## (l) Interest bearing loans and borrowings

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

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

Expected credit losses are recognised from initial recognition based on the group's historical credit loss experience, factors specific for each loan, the current economic climate and expected changes in forecasts of future events. Changes in expected credit losses are recognised in the income statement.

### (m) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The current tax payable is based on taxable profit for the period. Taxable profit differs from profit before tax as reported in the income statement because the former excludes items of income or expense that are taxable or deductible in other years and also excludes items that are never taxable or deductible. The group's liability for current tax is calculated using UK tax rates that have been enacted under UK law and that are applicable to the period.

The current tax expense is recognised in the income statement unless it relates to items that are credited or charged to equity, in which case it is credited or charged directly to equity.

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, 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 profits 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 the tax that may be due on this amount at a future date.

Where there has been an upward revaluation of an asset and the asset is expected to be realised through disposal, a deferred tax liability is recorded based on the difference between the indexed cost of the asset less any capital gains which have been rolled over against the asset and the revalued amount.

Deferred tax is measured on an undiscounted basis at the UK tax rates that are expected to apply on reversal of the underlying temporary differences, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

### (n) Accounting for the ESOP trust

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

### (o) 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. 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 its effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective.

Where cash flow hedge accounting is not applied, the movement in the fair value of the derivative is recognised immediately in the income statement. Where cash flow hedge accounting is applied, as in the case of the interest rate swaps held by the group, the effective portion of the gain or loss on the hedging instrument is recognised in the statement of comprehensive income, while the ineffective portion is recognised in the income statement.

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, at which point they are immediately expensed. If the related transaction is not expected to occur, the amount held in equity is immediately expensed.

### (p) Pensions and other post retirement benefits

The company operates one defined benefit pension scheme, namely the Young & Co.'s Brewery, P.L.C. Pension Scheme, a defined contribution pension scheme and a post retirement health care scheme.

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

For the defined benefit scheme, the actuarial cost charged to the income statement in the period consists of the current service cost, net interest on the net defined benefit liability or asset, past service cost and the impact of any settlements or curtailments.

Remeasurements of the defined benefit pension and post retirement health care schemes are recognised in full in the statement of comprehensive income in the period in which they relate.

The net defined benefit pension liability or asset in the balance sheet comprises the present value of the defined benefit obligations less the fair value of scheme 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 the present value of any amount the group expects to recover by way of refunds from the scheme or reductions in the future contributions.

Post retirement health care benefits are provided for certain employees and certain directors. 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 participants' future lifetimes, using IAS 19 assumptions. The liability for new entrants is recognised through the income statement in the period in which the benefit is granted. Remeasurements of health care benefits are recognised in full directly in the statement of comprehensive income.

### (q) Trade and other receivables

Trade receivables are initially recognised at the transaction price less impairment as they do not contain a significant financial component. In measuring and recognising the impairment, the group has applied the simplified approach to expected credit losses as permitted by IFRS 9. Expected credit losses are recognised from initial recognition based on the group's historical credit loss experience, factors specific for each receivable, the current economic climate and expected changes in forecasts of future events. Changes in expected credit losses are recognised in the income statement.

### (r) Share based payments

The group operates two types of share based payment arrangements: a director/senior management employee deferred bonus scheme ("DBS") and a Save-As-You-Earn ("SAYE") scheme.

Under the DBS, directors and senior management are encouraged to receive bonus payments in the form of shares instead of cash. They are encouraged to do this by being offered 'matching' shares (see note 27). The 'matching' shares constitute shares with non-market performance based vesting conditions over three years. The group has used the "grant date model" as its valuation model for recording the fair value of these equity

## Notes to the financial statements

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instruments at the date when they were originally granted. The fair value of equity represents the market value of the shares at grant date, less the nominal value which the employees will pay.

Under the SAYE scheme, eligible employees are encouraged to save over a set period and then, if they choose, purchase shares at the price set before the start of that period (see note 27). The group uses the "Black-Scholes model" as its valuation model for valuing awards at fair value.

The fair value cost of both schemes is expensed to the income statement with a corresponding credit in equity on a straight-line basis over the vesting period. The cumulative expense also takes account of the group's estimate of the number of shares that will ultimately vest.

### (s) Use of estimates

The preparation of financial information in conformity with IFRS requires management to make certain judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

The areas involving a higher degree of judgement or complexity, or where the most sensitive estimates and assumptions are significant to the financial statements, are set out in note 4.

### (t) Supplier income

The group earns supplier income through purchase volume-related discounts and stocking incentives. Most of the supplier income received relates to volume discounts and is driven by the number of units purchased from suppliers. The volume discounts relate to adjustments to a gross purchase price, and as such are recognised on an accrual basis at the point of purchase. Stocking incentives are earned through a fixed payment in return for fulfilling certain stocking obligations, including number of stockists. Supplier income is recognised when the group has met all obligations conditional for earning the income; they are recognised as a credit within cost of sales.

Outstanding amounts due from suppliers for earned income at the period end are recognised within trade receivables, except in cases where the group has rights of set-off and intends to offset these against trade payables to suppliers.

### (u) Short leasehold premiums

Premiums paid on acquiring new short leaseholds are amortised on a straight-line basis over the lease term, which range from one to 31 years. Such premiums are classified in the balance sheet as current or non-current prepayments, with the current portion being the element which relates to the following financial period.

### (v) Lease intangible assets

The fair value acquired on operating leasehold interests are deemed to represent lease premiums, and are carried as intangible assets. The lease intangible is amortised on a straight-line basis over the lease term, which range from 13 to 23 years.

### (w) Onerous lease provisions

Onerous obligations for loss making short (less than 50 years) leaseholds are reviewed and calculated by management. Judgements are made over the timings and amounts of future cash flows, the potential opportunity to exit the lease early and the appropriate discount rate when calculating the onerous lease provision. The provision is calculated on an individual property basis over the remaining lease term.

## 4. KEY ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses.

In applying the group's accounting policies, the following estimates are considered to carry the most significant risk of resulting in a material adjustment to the reported amount in the next financial year if the actual outcome differs from these estimates:

### (a) Valuation of property and equipment

The group is required to value property and equipment on a sufficiently regular basis using open market values to ensure the current carrying value does not differ significantly from the fair value. The valuation, performed by qualified valuers, is based on market observations and estimates on the selling price in an arms' length transaction, and includes estimates of future income levels and trading potential for each pub, as well as taking into account other factors such as location, tenure and current income levels. See note 17.

### (b) Carrying value of goodwill

The group considers annually whether goodwill has suffered any impairment in accordance with the accounting policy set out in note 3(g). The recoverable amounts for cash generating units have been determined based on value in use calculations. This calculation requires the use of estimates, including growth rates, capital maintenance expenditure and pre-tax discount rates. See notes 3(g) and 16.

### (c) Depreciation

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 useful lives requires the use of estimates. See notes 3(f) and 17.

### (d) Defined benefit pension and health care scheme obligations

Measurement of defined benefit pension and health care scheme 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 an independent qualified actuary. See notes 3(p) and 24.

The critical judgements considered to carry the most significant risk of a material adjustment to the reported amount if the actual outcome differs from these judgements are as follows:

### (e) Business combinations

When assets are acquired, management determines whether the assets form a business combination. A fair value exercise of both the consideration paid and the net assets acquired is performed once it is determined that a business combination has taken place. If the fair value of the consideration is in excess of the fair value of the net assets acquired, the difference is recognised as goodwill. If the opposite occurs, the difference is recognised in the income statement. The group makes judgements in relation to the fair value of the consideration, the net assets acquired and whether the purchase represents a business combination. See notes 3(e), 13, 16 and 17.

### (f) Taxation

The group reviews potential tax liabilities and benefits to assess the appropriate accounting treatment. Tax provisions are made if it is probable that a liability will arise. Tax benefits are not recognised unless it is probable that they will be recovered. Calculating the group's tax provisions requires judgements to be made based on past experience and the current tax environment. See notes 3(m), 12 and 23.



## 5. SEGMENTAL REPORTING

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

The group has two operating segments: Young's managed houses and the Ram Pub Company. Young's managed houses operate pubs with revenue derived from sales of drink, food and the provision of accommodation. The Ram Pub Company consists of pubs owned or leased by the company and leased or sub leased to third parties. Revenue is derived from rents payable by, and sales of drink made to, tenants. Unallocated income and costs relate to head office.

Total segment revenue is derived externally with no intersegment revenues between the segments in either period. The group's revenue is derived entirely from the UK.

### Income statement

	Managed houses £m	Ram Pub Company £m	Segments total £m	Unallocated £m	Total £m
<b>2019</b>					
Sales of goods	276.4	9.7	286.1	-	286.1
Accommodation sales	13.3	-	13.3	-	13.3
<b>Revenue recognised under contracts with customers</b>	<b>289.7</b>	<b>9.7</b>	<b>299.4</b>	<b>-</b>	<b>299.4</b>
Rental income	0.6	3.3	3.9	0.4	4.3
<b>Total revenue recognised</b>	<b>290.3</b>	<b>13.0</b>	<b>303.3</b>	<b>0.4</b>	<b>303.7</b>
<b>Operating profit/(loss) before exceptional items</b>	<b>61.5</b>	<b>5.0</b>	<b>66.5</b>	<b>(18.0)</b>	<b>48.5</b>
Operating exceptional items	(0.9)	(0.5)	(1.4)	(2.5)	(3.9)
<b>Operating profit/(loss)</b>	<b>60.6</b>	<b>4.5</b>	<b>65.1</b>	<b>(20.5)</b>	<b>44.6</b>
<b>2018</b>					
Sales of goods	254.7	9.3	264.0	-	264.0
Accommodation sales	11.2	-	11.2	-	11.2
Revenue recognised under contracts with customers	265.9	9.3	275.2	-	275.2
Rental income	0.5	3.3	3.8	0.3	4.1
Total revenue recognised	266.4	12.6	279.0	0.3	279.3
Operating profit/(loss) before exceptional items	60.7	4.4	65.1	(18.2)	46.9
Operating exceptional items	(4.0)	0.6	(3.4)	-	(3.4)
Operating profit/(loss)	56.7	5.0	61.7	(18.2)	43.5

The following is a reconciliation of the operating profit to the profit before tax:

	2019 £m	2018 £m
<b>Operating profit</b>	<b>44.6</b>	43.5
Finance costs	(5.0)	(5.6)
Other finance charges	(0.1)	(0.3)
<b>Profit before tax</b>	<b>39.5</b>	37.6

### Balance sheet

	Managed houses £m	Ram Pub Company £m	Segments total £m	Unallocated £m	Total £m
<b>2019</b>					
<b>Segment assets</b>	<b>784.5</b>	<b>70.0</b>	<b>854.5</b>	<b>11.6</b>	<b>866.1</b>
Deferred tax assets	-	-	-	7.4	7.4
Cash	-	-	-	8.5	8.5
<b>Total assets</b>	<b>784.5</b>	<b>70.0</b>	<b>854.5</b>	<b>27.5</b>	<b>882.0</b>
<b>Other segmental information</b>					
Depreciation and amortisation of lease premiums	(22.1)	(1.7)	(23.8)	(0.5)	(24.3)
Additions to non-current assets	66.0	8.0	74.0	3.0	77.0
Net downward movements in property valuation through income statement (note 17)	(0.1)	-	(0.1)	-	(0.1)
<b>2018</b>					
Segment assets	715.2	60.7	775.9	11.1	787.0
Deferred tax assets	-	-	-	6.4	6.4
Cash	-	-	-	7.2	7.2
Total assets	715.2	60.7	775.9	24.7	800.6
Other segmental information					
Depreciation and amortisation of lease premiums	(19.6)	(1.6)	(21.2)	(0.6)	(21.8)
Additions to non-current assets (note 17)	39.5	6.3	45.8	0.4	46.2
Net upward movements in property valuation through income statement (note 17)	-	0.3	0.3	-	0.3

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### 6. REVENUE

The recognition of revenue under each of the group's material revenue streams is as follows:

	<b>2019</b>	2018
	<b>£m</b>	£m
Sales of goods	<b>286.1</b>	264.1
Accommodation sales	<b>13.3</b>	–
<b>Revenue recognised under contracts with customers</b>	<b>299.4</b>	264.1
Rental income <sup>(1)</sup>	<b>4.3</b>	15.2
<b>Total revenue recognised</b>	<b>303.7</b>	279.3

<sup>(1)</sup> Rental income for 2018 includes accommodation sales.

### 7. OPERATING COSTS BEFORE EXCEPTIONAL ITEMS

	<b>2019</b>	2018
	<b>£m</b>	£m
Changes in inventories of finished goods and raw materials	<b>(0.7)</b>	(0.2)
Raw materials, consumables and finished goods used	<b>70.6</b>	65.1
Employment costs (note 8(a))	<b>96.1</b>	87.6
Depreciation (note 17)	<b>23.4</b>	21.1
Amortisation of lease premiums	<b>0.9</b>	0.7
Other operating costs	<b>64.9</b>	58.1
	<b>255.2</b>	232.4
Other operating costs include:		
Operating lease rentals:		
minimum lease payments	<b>7.1</b>	6.5
sublease payments	<b>0.8</b>	0.7
	<b>7.9</b>	7.2
Auditor's remuneration:		
audit of the group financial statements	<b>0.2</b>	0.2
	<b>0.2</b>	0.2

### 8. EMPLOYMENT

#### (a) Costs and employee numbers

	Group		Company	
	<b>2019</b>	2018	<b>2019</b>	2018
	<b>£m</b>	£m	<b>£m</b>	£m
Wages and salaries	<b>88.2</b>	80.5	<b>87.0</b>	78.0
Social security	<b>6.6</b>	6.0	<b>6.5</b>	5.9
Pension and health care schemes	<b>1.3</b>	1.1	<b>1.3</b>	1.1
<b>Employment costs</b>	<b>96.1</b>	87.6	<b>94.8</b>	85.0

The group's and the company's average monthly number of employees was 4,735 and 4,385 respectively (2018 group and company: 4,116).

The number of employees at the period end was 4,874 and 4,524 respectively (2018 group and company: 4,273).

The group's and the company's average monthly number of operational employees was 4,602 and 4,253 respectively (2018 group and company: 3,990). The number of operational employees at the period end was 4,740 and 4,391 respectively (2018 group and company: 4,143).

The group's and the company's average monthly number of administration employees was 133 and 132 respectively (2018 group and company: 126).

The number of administration employees at the period end was 134 and 133 respectively (2018 group and company: 130).

## (b) Directors' emoluments

	<b>Basic salary and fees</b>	Basic salary and fees	<b>Benefits (i)</b>	Benefits (i)	<b>Bonus (ii)</b>	Bonus (ii)	<b>Total excluding pension costs</b>	Total excluding pension costs
	<b>2019</b>	2018	<b>2019</b>	2018	<b>2019</b>	2018	<b>2019</b>	2018
	<b>£000</b>	£000	<b>£000</b>	£000	<b>£000</b>	£000	<b>£000</b>	£000
Stephen Goodyear (iii) (iv)	<b>93</b>	90	<b>2</b>	1	–	–	<b>95</b>	91
Patrick Dardis (iii)	<b>444</b>	353	<b>1</b>	2	<b>383</b>	242	<b>828</b>	597
Torquil Sligo-Young	<b>160</b>	156	<b>19</b>	26	<b>112</b>	118	<b>291</b>	300
Tracy Dodd	<b>218</b>	212	–	–	<b>138</b>	134	<b>356</b>	346
Roger Lambert	<b>41</b>	41	–	–	–	–	<b>41</b>	41
Trish Corzine	<b>41</b>	40	–	–	–	–	<b>41</b>	40
Nick Miller	<b>41</b>	39	–	–	–	–	<b>41</b>	39
Ian McHoul (v)	<b>41</b>	8	–	–	–	–	<b>41</b>	8
Steven Robinson (iii) (vi)	<b>226</b>	251	<b>1</b>	1	–	170	<b>227</b>	422
<b>Total</b>	<b>1,305</b>	1,190	<b>23</b>	30	<b>633</b>	664	<b>1,961</b>	1,884

- (i) These relate primarily to the provision of private medical insurance and car-related benefits.
- (ii) The amounts shown in the 'Bonus' columns reflect the cash value of bonuses receivable pursuant to the deferred bonus scheme referred to in note 27 but excluding the cash value of any 'matching' shares (as explained in that note). If the company decides to provide the current period bonuses in shares, the cash value of the 'matching' shares to be awarded to Patrick is £191,250 (2018: £120,876), to Torquil is £56,231 (2018: £59,071) and to Tracy is £13,773 (2018: £6,710).
- (iii) Note 8(e) on page 58 sets out the gains made on the exercise of share options.
- (iv) The amount shown in the 'Benefits' column is a cash contribution paid to Stephen Goodyear towards private medical insurance.
- (v) Ian was appointed to the board on 24 January 2018.
- (vi) Steven resigned from the board on 11 December 2018 and left the company. He assisted with an orderly handover after his departure and therefore for those services he continued to receive salary, car-related benefits and private medical insurance up until 31 December 2018.

## (c) Retirement benefits

### Defined benefit pension scheme

The company operates a defined benefit pension scheme: the Young & Co.'s Brewery, P.L.C. Pension Scheme. All active members contribute to it and continue to accrue benefits; during the period, those contributions were, on average, at a rate between 8% and 11% of pensionable earnings, dependent on each member's accrual rate. The scheme invests largely in managed funds. The company accounts for retirement benefits in accordance with IAS 19; detailed disclosures covering this are set out in note 24. No director was accruing any defined benefit under the scheme as at 1 April 2019. Further, no director accrued any defined benefit under the scheme during the period. Stephen Goodyear, Torquil Sligo-Young and Patrick Dardis are pensioner members of the scheme.

### Defined contribution pension scheme

The company operates a defined contribution pension scheme. As at 1 April 2019, Tracy Dodd was a member of the scheme and was accruing retirement benefits under it; for the period, the company paid contributions of £8,040 (2018: £7,710) into the scheme for her in respect of her qualifying service. Up until 31 December 2018, Steven Robinson was also a member of the scheme; the company paid contributions of £6,700 (2018: £7,710) into the scheme for him in respect of his qualifying service.

### Post retirement health care

The company bears the cost of post retirement health care premia for certain employees and ex-employees – see note 24.

## (d) Profit sharing scheme

This scheme, which involved an annual profit share allocation, was closed a number of years ago. As a result, it has effectively been in 'run-off', with periodic releases of accrued entitlements, represented by A shares, happening as and when a member reaches his or her normal retirement date. In the period ended 3 April 2017, it was agreed with HM Revenue & Customs that all accrued entitlements could be released free of tax, even where an individual had not reached his or her retirement date. During the period, 3,572 A shares were released to scheme members (2018: 31,104). As at 1 April 2019, accrued entitlements now effectively remain in respect of 3,772 A shares (2018: 7,344 A shares).

## Notes to the financial statements

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### (e) Savings-related share option scheme

The company operates a savings-related share option scheme. From year to year eligible employees of the group are invited to join the scheme and be granted options to buy shares in the company. Employees must agree to save a fixed monthly amount with a savings institution through deductions from net salary over a three-year period. The amount to be saved determines the number of shares over which an option is granted. If the board chooses, options are granted at a discount of up to 20% of the market price of a share at the time invitations are sent out to join the scheme for that year. There are no performance conditions other than continued employment.

The entitlement to A shares under the scheme of each of the directors who served throughout or during the period is as follows:

	At 2 April 2018	Granted	Exercised	Lapsed	At 1 April 2019	Exercise price (pence per share) (i)	Exercisable from	Exercisable to	Gains made on exercise of share options (£) (ii)
Stephen Goodyear	888	–	888	–	–	1,013	01.09.18	28.02.19	6,189
Patrick Dardis	888	–	888	–	–	1,013	01.09.18	28.02.19	6,189
Steven Robinson	888	–	888	–	–	1,013	01.09.18	28.02.19	6,189
	844	–	–	844	–	1,066	01.09.20	28.02.21	–
	–	659	–	659	–	1,364	01.09.21	28.02.22	–
Torquil Sligo-Young	933	–	–	–	<b>933</b>	964	01.09.19	28.02.20	–
	–	659	–	–	<b>659</b>	1,364	01.09.21	28.02.22	–
Tracy Dodd	1,013	–	–	–	<b>1,013</b>	1,066	01.09.20	28.02.21	–

(i) The exercise prices of 1,013p per share, 1,066p per share, 1,364p per share and 964p per share represent a discount of not more than 20% to the market price of an A share at the time the relevant invitations to join the scheme were issued, being 1,265.5p per share, 1,332p per share, 1,705p per share, and 1,205p per share respectively.

(ii) The figures appearing in the 'Gains made on exercise of share options' column are calculated by taking the difference between the exercise price and the opening market price of an A share on the day the option was exercised, and then multiplying that by the number of A shares in respect of which the option was exercised. Each of the directors listed (other than Tracy Dodd) exercised a share option in the prior period – each such option was in respect of 1,071 A shares and had an exercise price of 840p per share – in respect of that exercise, each of Stephen Goodyear, Patrick Dardis and Steven Robinson made a gain of £5,837 and Torquil Sligo-Young made a gain of £5,869.

## 9. EXCEPTIONAL ITEMS

	2019 £m	2018 £m
<b>Amounts included in operating profit:</b>		
Upward movement on the revaluation of properties <sup>(1)</sup> (note 17)	<b>3.4</b>	2.1
Downward movement on the revaluation of properties <sup>(1)</sup> (note 17)	<b>(3.5)</b>	(1.8)
Guaranteed minimum pension equalisation <sup>(2)</sup> (note 24)	<b>(2.5)</b>	–
Tenant compensation <sup>(3)</sup>	<b>(0.5)</b>	(2.8)
Acquisition costs <sup>(4)</sup>	<b>(1.2)</b>	(1.2)
Net profit on sale of properties <sup>(5)</sup>	<b>0.4</b>	0.3
Loss on disposal of property <sup>(6)</sup>	–	(0.5)
Onerous lease provision released on disposal of property <sup>(6)</sup>	–	0.5
	<b>(3.9)</b>	(3.4)
<b>Exceptional tax:</b>		
Tax attributable to above adjustments	<b>0.1</b>	0.4
	<b>0.1</b>	0.4
<b>Total exceptional items after tax</b>	<b>(3.8)</b>	(3.0)

<sup>(1)</sup> The movement on the revaluation of properties is a non-cash item that relates to the revaluation exercise that was completed based on the period end date. The revaluation was conducted at an individual pub level and identified an upward movement of £3.4 million (2018: £2.1 million) representing reversals of previous impairments recognised in the income statement, and a downward movement of £3.5 million (2018: £1.8 million), representing downward movements in excess of amounts recognised in equity. These resulted in a net downward movement of £0.1 million (2018: £0.3 million net upward) which has been recognised in the income statement. The downward movement for the period ended 1 April 2019 was split between land and buildings of £0.1 million downward (2018: £0.3 million upward) and fixtures and fittings of £nil (2018: £nil). See note 5 for segmental information.

- <sup>(2)</sup> The Guaranteed Minimum Pension (GMP) is the minimum pension which a UK occupational pension scheme must provide for those employees who were contracted out of the State Earnings-Related Pensions Scheme between 6 April 1978 and 5 April 1997. Following the ruling of the High Court of Justice of England and Wales on 26 October 2018, the need to equalise the effect of differences in GMPs between males and females was made more certain and consequently an allowance for the effect of GMP equalisation has been made in the current financial period. Although a number of methodologies could be used to determine the impact, the group has adopted method C2 to identify its best estimate of the additional liabilities. These are charged as a past service cost in the income statement as an exceptional item since the liabilities relate to employee service between 1990 and 1997 and they have no link to current business performance. The increase in liabilities (note 24) as at 1 April 2019 is estimated at £2.5 million, assessed using market conditions at the date of the ruling as required by IAS 19.
- <sup>(3)</sup> Tenant compensation of £0.5 million was paid to the previous tenants of the Bear (Cobham) and the Bayee Village (Wimbledon Village) to terminate their lease agreements early. During the prior period, the group paid tenant compensation of £2.8 million to the previous tenants of the Hope & Anchor (Brixton), Grove (Camberwell) and the King's Arms (Wandsworth).
- <sup>(4)</sup> The acquisition costs relate to the purchase of Redcomb Pubs Limited, a corporate group with 15 sites acquired on 23 January 2019, along with the People's Park Tavern (Hackney) and the Plantation (Poole). They include legal and professional fees and stamp duty land tax. The prior period acquisition costs related to the Chequers Inn (Hanham Mills), Smiths of Smithfield (Smithfield Market), Smiths (Cannon Street), Park (Teddington) and the Bridge (Chertsey).
- <sup>(5)</sup> The profit on sale of properties relates to the difference between the cash, less selling costs, received from the sale of the King's Arms (Mitcham) and the William IV (Bletchingley) and the carrying value of the assets on the date of sale. In the prior period there was a profit from the sale of the King's Arms (Epsom).
- <sup>(6)</sup> The prior year loss on disposal of properties relates to the difference between cash, less selling costs, received from the sale of the Court House (Dartford) and the carrying value of the net assets at the date of sale. Previously an onerous lease was recognised in respect of the property which was subsequently released on disposal.

## 10. OTHER FINANCIAL MEASURES

The table below shows how adjusted group EBITDA, operating profit and profit before tax have been arrived at. They exclude exceptional items which due to their material or non-recurring nature distort the group's performance. These alternative performance measures have been provided to help investors assess the group's underlying performance. Details of the exceptional items can be seen in note 9. All the results below are from continuing operations.

	2019			2018		
	Unadjusted £m	Exceptional items £m	Adjusted £m	Unadjusted £m	Exceptional items £m	Adjusted £m
<b>EBITDA</b>	<b>69.0</b>	<b>3.8</b>	<b>72.8</b>	65.0	3.7	68.7
Depreciation and net movement on the revaluation of properties	(23.5)	0.1	(23.4)	(20.8)	(0.3)	(21.1)
Amortisation of lease premiums	(0.9)	–	(0.9)	(0.7)	–	(0.7)
<b>Operating profit</b>	<b>44.6</b>	<b>3.9</b>	<b>48.5</b>	43.5	3.4	46.9
Net finance costs	(5.0)	–	(5.0)	(5.6)	–	(5.6)
Other finance charges	(0.1)	–	(0.1)	(0.3)	–	(0.3)
<b>Profit before tax</b>	<b>39.5</b>	<b>3.9</b>	<b>43.4</b>	37.6	3.4	41.0

Any reference to 'like-for-like' means excluding the impact of any acquisitions or disposals in the financial period.

## 11. FINANCE COSTS

	2019 £m	2018 £m
Bank loans and overdrafts	5.0	5.6
	5.0	5.6

## Notes to the financial statements

Continued

### 12. TAXATION

	2019 £m	2018 £m
<b>Tax charged in the group income statement</b>		
<b>Current tax</b>		
Current tax expense	9.3	8.7
Adjustment in respect of current tax of prior periods	(0.4)	–
	<b>8.9</b>	8.7
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(0.9)	(1.2)
	<b>(0.9)</b>	(1.2)
<b>Tax expense</b>	<b>8.0</b>	7.5
<b>Deferred tax in the group income statement</b>		
Property revaluation and disposals	(0.1)	(0.5)
Capital allowances	(0.5)	(0.9)
Retirement benefit schemes	(0.2)	0.2
Share based payments	0.1	–
Trade losses	(0.2)	–
<b>Tax credit</b>	<b>(0.9)</b>	(1.2)
<b>Deferred tax in the group statement of comprehensive income</b>		
Property revaluation and disposals	3.5	3.5
Retirement benefit schemes	(0.3)	1.0
Interest rate swaps	0.1	0.7
<b>Tax charge</b>	<b>3.3</b>	5.2

A reconciliation of the tax expense applicable to the profit from operating activities before tax at the statutory rate to the actual tax expense at the group's effective tax rate for the periods ended 1 April 2019 and 2 April 2018 respectively is as follows:

	2019 £m	2018 £m
<b>Profit before tax</b>	<b>39.5</b>	37.6
Total profit before tax at a corporation tax rate of 19% (2018: 19%)	7.5	7.1
Tax effects of:		
Expenses not deductible for tax purposes <sup>(1)</sup>	1.3	1.4
Recognition of property revaluation, rollover claim and other property movements	(0.1)	(0.7)
Non-taxable income	(0.3)	(0.3)
Prior period adjustment – current tax	(0.4)	–
<b>Total tax expense</b>	<b>8.0</b>	7.5

<sup>(1)</sup> Expenses not deductible for tax purposes include property acquisition costs, pension service costs, depreciation on assets ineligible for capital allowances and share based payments.

Changes to the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and then to 17% (effective from 1 April 2020) were substantively enacted into law on 6 September 2016. Deferred tax balances that will be realised or settled between 3 April 2018 and 1 April 2020 have been measured at 19%, with the remainder remeasured at 17%.

## 13. BUSINESS COMBINATIONS

### Redcomb Pubs Limited

On 23 January 2019, the group and the company acquired the entire issued share capital of Redcomb Pubs Limited for a provisional total cash cost of £31.7 million. This comprised cash consideration for the share capital of £18.4 million, overdraft and bank loan repayment of £10.6 million and the settlement of £2.7 million of the acquired working capital on acquisition. The remainder of the working capital acquired has either been utilised or subsequently paid or received. The acquired group consists of 15 premium sites in prime locations that fit well with Young's managed house expansion strategy. Redcomb Pubs Limited, directly or indirectly, owns 100% of the share capital of BFI Ltd, Redcomb Pubs & Bars Ltd and Old Manor Trading Ltd.

The provisional fair value of the identifiable assets and liabilities of the acquired business at the date of acquisition was as follows:

	<b>Provisional fair value £m</b>
<b>Identifiable assets and liabilities acquired:</b>	
Property and equipment	<b>22.4</b>
Intangible assets – operating leases	<b>3.9</b>
Inventories	<b>0.3</b>
Cash	<b>0.1</b>
Trade and other receivables	<b>3.7</b>
Overdraft and loans	<b>(10.6)</b>
Trade and other payables	<b>(8.7)</b>
Deferred taxation on fair value adjustment	<b>(1.5)</b>
<b>Net assets</b>	<b>9.6</b>
Goodwill	<b>8.8</b>
<b>Cash consideration for share capital</b>	<b>18.4</b>

Goodwill of £8.8 million was recognised on the acquisition which represents the opportunity to the group of acquiring and operating 15 new managed sites with immediate effect.

The group incurred £0.5 million of costs associated with the acquisition, which have been recorded as operating exceptional items.

Between the date of acquisition and the balance sheet date, Redcomb Pubs Limited contributed £3.0 million of revenue and £0.2 million of operating loss. If the acquisition had been completed on 3 April 2018, group revenues for the period would have been expected to increase by £19.6 million and the group operating profit would have been expected to increase by £2.6 million.

In the prior period, the group and the company acquired the entire issued share capital of Smiths of Smithfield Limited for a consideration of £9.0 million on a debt and working capital free basis. Smiths of Smithfield Limited owned and operated Smiths of Smithfield (Smithfield Market) and the Candlemaker (Cannon Street). The aggregated fair value of the identifiable assets and liabilities was a net liability of £0.1 million, with a lease premium of £6.8 million being recognised in respect of the £6.7 million total consideration exchanged for the share capital acquired. During the current period, a further £1.1 million deferred tax liability was recognised within the prescribed 12-month adjustment period following completion of a business combination. This therefore increased the goodwill recognised by a corresponding £1.1 million. In the prior year, the group incurred £0.2 million of costs associated with the acquisition, which were recorded within operating exceptional items.

### Other business combinations

The group and the company acquired the People's Park Tavern (Hackney) on 3 December 2018 and the Plantation (Poole) on 28 January 2019 as business combinations in the current period for considerations totalling £6.9 million. The aggregated fair value of the identifiable assets and liabilities of the acquired businesses was property and equipment of £6.9 million and inventories of £nil. The group incurred £0.5 million of costs associated with the acquisitions, which have been recorded within operating exceptional items.

Between the respective dates of acquisition and the balance sheet date these business combinations contributed £0.2 million of revenue and £nil operating profit to the group. If the acquisitions had been completed on 3 April 2018, group revenues for the period would have been expected to increase by £1.1 million and the group operating profit would have been expected to increase by £0.2 million.

In the prior period, the group and the company acquired the Chequers Inn (Hanham Mills), Park (Teddington) and the Bridge (Chertsey) as business combinations for considerations totalling £14.0 million. The aggregated fair value of the identifiable assets and liabilities of the acquired businesses was property and equipment of £14.0 million and inventories of £nil. The group incurred £1.0 million of costs associated with the acquisitions, which were recorded within operating exceptional items.

In the prior period between the respective dates of acquisition and the balance sheet date, the Chequers Inn, Park and the Bridge contributed £0.6 million of revenue and £nil of operating profit to the group. If the acquisitions had been completed on 4 April 2017, group revenues for the prior period would have been expected to increase by £2.4 million and the group operating profit would have been expected to increase by £0.2 million.

## Notes to the financial statements

Continued

### 13. BUSINESS COMBINATIONS (CONTINUED)

#### Cash flow from business combinations

	2019 £m	2018 £m
Redcomb Pubs Limited	(18.4)	–
Smiths of Smithfield Limited	–	(9.0)
Other business combinations	(6.9)	(14.0)
<b>Total net cash outflow</b>	<b>(25.3)</b>	<b>(23.0)</b>

### 14. DIVIDENDS ON EQUITY SHARES

	2019 Pence	2018 Pence	2019 £m	2018 £m
Final dividend (previous period)	10.20	9.62	5.0	4.7
Interim dividend (current period)	9.97	9.41	4.9	4.6
	<b>20.17</b>	<b>19.03</b>	<b>9.9</b>	<b>9.3</b>

In addition, the board is proposing a final dividend in respect of the period ended 1 April 2019 of 10.81 pence per share at a cost of £5.3 million. If approved, it is expected to be paid on 11 July 2019 to shareholders who are on the register of members at the close of business on 7 June 2019.

### 15. EARNINGS PER ORDINARY SHARE

#### (a) Earnings

	2019 £m	2018 £m
Profit attributable to equity shareholders of the parent	31.5	30.1
Operating exceptional items	3.9	3.4
Tax attributable to above adjustments	(0.1)	(0.4)
<b>Adjusted earnings after tax</b>	<b>35.3</b>	<b>33.1</b>

	Number	Number
Basic weighted average number of ordinary shares in issue	48,941,761	48,862,927
Dilutive potential ordinary shares from outstanding employee share options	41,753	33,413
<b>Diluted weighted average number of shares</b>	<b>48,983,514</b>	<b>48,896,340</b>

#### (b) Basic earnings per share

	Pence	Pence
Basic	64.36	61.60
Effect of exceptional items and other adjustments	7.77	6.14
<b>Adjusted basic</b>	<b>72.13</b>	<b>67.74</b>

#### (c) Diluted earnings per share

	Pence	Pence
Diluted	64.31	61.56
Effect of exceptional items and other adjustments	7.76	6.13
<b>Adjusted diluted</b>	<b>72.07</b>	<b>67.69</b>

The basic earnings per share figure is calculated by dividing the profit attributable to equity shareholders of the parent for the period by the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share have been calculated on a similar basis taking into account 41,753 (2018: 33,413) dilutive potential shares under the SAYE scheme (see notes 8(e) and 27).

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



## 16. GOODWILL AND INTANGIBLE ASSETS

	Group			Company		
	Goodwill £m	Operating lease intangible asset £m	Total £m	Goodwill £m	Operating lease intangible asset £m	Total £m
<b>Cost</b>						
<b>At 3 April 2017</b>	<b>21.5</b>	–	<b>21.5</b>	<b>1.1</b>	–	<b>1.1</b>
Acquisitions	–	–	–	1.0	–	1.0
<b>At 2 April 2018</b>	<b>21.5</b>	–	<b>21.5</b>	<b>2.1</b>	–	<b>2.1</b>
Acquisitions	9.9	3.9	13.8	–	–	–
<b>At 1 April 2019</b>	<b>31.4</b>	<b>3.9</b>	<b>35.3</b>	<b>2.1</b>	–	<b>2.1</b>
<b>Amortisation</b>						
<b>At 3 April 2017</b>	<b>1.6</b>	–	<b>1.6</b>	–	–	–
Disposals/impairment	0.2	–	0.2	0.2	–	0.2
<b>At 2 April 2018</b>	<b>1.8</b>	–	<b>1.8</b>	<b>0.2</b>	–	<b>0.2</b>
Disposals/impairment	–	–	–	–	–	–
<b>At 1 April 2019</b>	<b>1.8</b>	–	<b>1.8</b>	<b>0.2</b>	–	<b>0.2</b>
<b>Carrying amount</b>						
At 3 April 2017	19.9	–	19.9	1.1	–	1.1
At 2 April 2018	19.7	–	19.7	1.9	–	1.9
<b>At 1 April 2019</b>	<b>29.6</b>	<b>3.9</b>	<b>33.5</b>	<b>1.9</b>	–	<b>1.9</b>

Goodwill and lease intangible assets are recognised in respect of the following acquisitions for group and company respectively:

	Group			Company		
	Goodwill £m	Operating lease intangible asset £m	Total £m	Goodwill £m	Operating lease intangible asset £m	Total £m
Geronimo	18.8	–	18.8	1.0	–	1.0
580 Limited	0.9	–	0.9	0.9	–	0.9
Smiths of Smithfield	1.1	–	1.1	–	–	–
Redcomb Pubs Limited	8.8	3.9	12.7	–	–	–
<b>At 1 April 2019</b>	<b>29.6</b>	<b>3.9</b>	<b>33.5</b>	<b>1.9</b>	–	<b>1.9</b>

The opening group goodwill of £19.7 million arose on the acquisition of Geronimo Group Limited and 580 Limited. The cash generating units supporting the acquisition of Geronimo Group Limited are the pubs trading under the Geronimo concept. The cash generating units within 580 Limited are those individual pubs acquired as part of the 580 group. All cash generating units are routinely tested for impairment. Both cash generating units fall within the managed houses segment.

During the current period, £1.1 million of goodwill arose upon the acquisition of Smiths of Smithfield Limited in the previous financial year. The goodwill was identified within the prescribed 12-month adjustment period following completion of a business combination. A further £8.8 million of goodwill and £3.9 million of operating lease intangible assets were recognised following the acquisition of Redcomb Pubs Limited on 23 January 2019. Both goodwill additions form part of the managed houses segment.

During the prior period, an impairment assessment on the Bell at Stow identified an impairment of £0.2 million which was expensed through the income statement. This eliminated all goodwill resulting from the acquisition of the Bell at Stow Limited.

During the prior period, the trade and assets of Geronimo Airports Limited were transferred into the company at book value and Geronimo Airports Limited went into members' voluntary liquidation. As a result, associated goodwill was transferred into the company creating goodwill of £1.0 million within the company.

The group tests goodwill annually for impairment or more frequently if there are indicators that goodwill may have been impaired.

There will be an impairment if the recoverable amount is lower than carrying value. Recoverable amount is value in use. The value in use is calculated using the budget approved by the board. For all cash generating units cash flows beyond this period assume 2.0% growth (2018: 2.0%), with the exception of Smiths of Smithfield Limited where an initial build-up growth period following acquisition is included, which is below the industry long-term average growth rate. The pre-tax discount rate applied to all cash flow projections is 8.0% (2018: 7.8%). The calculation is most sensitive to revenue assumptions and the pre-tax discount rate; however, the board believes that the assumptions used are reasonable. The board has conducted a sensitivity analysis on the impairment test and neither a 10% decline in cash flow nor a 1% increase in the discount rate would lead to the impairment of the goodwill in the period ended 1 April 2019 and the board is therefore comfortable that presently no reasonably possible change in key assumptions would give rise to an impairment.

## Notes to the financial statements

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### 17. PROPERTY AND EQUIPMENT

	Group			Company		
	Land & buildings £m	Fixtures, fittings & equipment £m	Total £m	Land & buildings £m	Fixtures, fittings & equipment £m	Total £m
<b>Cost or valuation</b>						
<b>At 3 April 2017</b>	<b>647.3</b>	<b>121.3</b>	<b>768.6</b>	<b>583.0</b>	<b>106.0</b>	<b>689.0</b>
Additions	9.3	20.7	30.0	9.3	20.2	29.5
Business combinations	12.7	3.5	16.2	11.6	3.4	15.0
Disposals	(1.0)	–	(1.0)	(1.0)	–	(1.0)
Fully depreciated assets	(0.7)	(11.3)	(12.0)	(0.7)	(11.2)	(11.9)
Transfers from lease premiums	0.4	–	0.4	–	–	–
Transfers from subsidiary companies	–	–	–	59.7	15.6	75.3
Revaluation <sup>(1)</sup>						
– effect of upward movement in property valuation	32.5	–	32.5	32.5	–	32.5
– effect of downward movement in property valuation	(4.9)	–	(4.9)	(4.9)	–	(4.9)
<b>At 2 April 2018</b>	<b>695.6</b>	<b>134.2</b>	<b>829.8</b>	<b>689.5</b>	<b>134.0</b>	<b>823.5</b>
Additions	10.1	23.8	33.9	9.9	22.2	32.1
Business combinations	23.5	5.8	29.3	6.0	0.9	6.9
Disposals	(1.1)	(0.3)	(1.4)	(1.1)	(0.3)	(1.4)
Fully depreciated assets	(0.2)	(15.5)	(15.7)	(0.2)	(15.5)	(15.7)
Revaluation <sup>(1)</sup>						
– effect of upward movement in property valuation	34.0	–	34.0	33.2	–	33.2
– effect of downward movement in property valuation	(10.4)	–	(10.4)	(10.4)	–	(10.4)
<b>At 1 April 2019</b>	<b>751.5</b>	<b>148.0</b>	<b>899.5</b>	<b>726.9</b>	<b>141.3</b>	<b>868.2</b>
<b>Depreciation and impairment</b>						
<b>At 3 April 2017</b>	<b>30.5</b>	<b>49.0</b>	<b>79.5</b>	<b>25.3</b>	<b>43.6</b>	<b>68.9</b>
Depreciation charge	1.8	19.3	21.1	1.5	18.9	20.4
Disposals	–	–	–	–	–	–
Fully depreciated assets	(0.7)	(11.3)	(12.0)	(0.7)	(11.2)	(11.9)
Transfers from lease premiums	0.2	–	0.2	–	–	–
Transfers from subsidiary companies	–	–	–	4.7	5.7	10.4
Revaluation <sup>(1)</sup>						
– effect of downward movement in property valuation	1.8	–	1.8	1.8	–	1.8
– effect of upward movement in property valuation	(3.7)	–	(3.7)	(3.7)	–	(3.7)
<b>At 2 April 2018</b>	<b>29.9</b>	<b>57.0</b>	<b>86.9</b>	<b>28.9</b>	<b>57.0</b>	<b>85.9</b>
Depreciation charge	1.9	21.5	23.4	1.6	20.8	22.4
Disposals	(0.4)	(0.1)	(0.5)	(0.4)	(0.1)	(0.5)
Fully depreciated assets	(0.2)	(15.5)	(15.7)	(0.2)	(15.5)	(15.7)
Revaluation <sup>(1)</sup>						
– effect of downward movement in property valuation	3.5	–	3.5	3.5	–	3.5
– effect of upward movement in property valuation	(5.1)	–	(5.1)	(5.1)	–	(5.1)
<b>At 1 April 2019</b>	<b>29.6</b>	<b>62.9</b>	<b>92.5</b>	<b>28.3</b>	<b>62.2</b>	<b>90.5</b>
<b>Net book value</b>						
At 3 April 2017	616.8	72.3	689.1	557.7	62.4	620.1
At 2 April 2018	665.7	77.2	742.9	660.6	77.0	737.6
<b>At 1 April 2019</b>	<b>721.9</b>	<b>85.1</b>	<b>807.0</b>	<b>698.6</b>	<b>79.1</b>	<b>777.7</b>

<sup>(1)</sup> The group's net book value uplift during the period was £25.2 million (2018: £29.5 million). This uplift was recognised either in the revaluation reserve or the income statement, as appropriate. The impact of the revaluations was as follows:

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
<b>Income statement</b>				
Revaluation loss charged as impairment	(3.5)	(1.8)	(3.5)	(1.8)
Reversal of past impairment	3.4	2.1	3.4	2.1
	(0.1)	0.3	(0.1)	0.3
<b>Revaluation reserve</b>				
Unrealised revaluation surplus	35.8	34.1	35.8	34.1
Reversal of past surplus	(10.5)	(4.9)	(10.5)	(4.9)
	25.3	29.2	25.3	29.2
<b>Net revaluation increase in property</b>	<b>25.2</b>	<b>29.5</b>	<b>25.2</b>	<b>29.5</b>

### (a) Revaluation of property and equipment

On an annual basis, a portion of the group's property estate is valued externally by Savills, independent Chartered Surveyors, in accordance with the provisions of the RICS Valuation – Professional Standards January 2014 (Revised April 2015) ('the Red Book'), which takes account of the properties' highest and best value. The remaining portion of the estate is valued internally, based upon the information supplied by the group's external valuers and by Andrew Cox MRICS, the group's director of property and tenancies and a Chartered Surveyor.

The valuation is based on information such as current and historic levels of turnover, gross profit, wages and overheads and resultant EBITDA. The valuers have then applied a multiplier to the EBITDA based upon the relative risks associated with the trading format, tenure and property. In a number of cases, the value of the property derived purely from an income approach understates the underlying property value. In these cases the valuers have applied a spot value to the property rather than a value derived from a multiple applied to the income. EBITDA represents a key unobservable input. In addition, the valuation was based on the valuer's assumptions and models. Each individual pub is valued as a fully equipped operational entity after taking into account its trading potential, location, tenure, size and condition and other factors such as recent market transactions. Changes in these variables and assumptions could materially impact the valuations.

The external valuations made are consistent and in support with the values derived by Andrew Cox. These valuations and the assumptions used are reviewed by the board and the auditor. The highest and best use of the group's properties do not differ materially from their current use.

These techniques are consistent with the principles in IFRS 13: Fair Value Measurement and use significant unobservable inputs such that the fair value measurement of each property within the portfolio has been classified as Level 3 (2018: Level 3) in the fair value hierarchy.

The key inputs to valuation on property and equipment are as follows:

Segment 2019	Tenure	EBITDA multiple range		Number of pubs	Value of pubs £m
		Low	High		
Managed houses	Freehold and long leasehold	6.0	12.0	124	599.2
Ram Pub Company	Freehold and long leasehold	3.0	12.0	45	40.7
Managed houses	Freehold and long leasehold	Spot	Spot	33	106.0
Ram Pub Company	Freehold and long leasehold	Spot	Spot	20	23.9
<b>Segment total</b>				<b>222</b>	<b>769.8</b>
Short leaseholds				47	24.2
Unallocated				–	13.0
<b>Total net book value at 1 April 2019</b>				<b>269</b>	<b>807.0</b>

2018

Managed houses	Freehold and long leasehold	6.0	12.0	123	574.6
Ram Pub Company	Freehold and long leasehold	3.0	12.0	48	39.5
Managed houses	Freehold and long leasehold	Spot	Spot	25	80.9
Ram Pub Company	Freehold and long leasehold	Spot	Spot	17	20.3
<b>Segment total</b>				<b>213</b>	<b>715.3</b>
Short leaseholds				42	19.3
Unallocated				–	8.3
<b>Total net book value at 2 April 2018</b>				<b>255</b>	<b>742.9</b>

If, at 2019, the property estate had been carried at historic cost less accumulated depreciation and impairment losses, its carrying amount would have been approximately £489.1 million (2018: £449.5 million).

The revaluation surplus represents the amount by which the fair value of the estate exceeds its historic cost.

## Notes to the financial statements

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### 17. PROPERTY AND EQUIPMENT (CONTINUED)

A sensitivity analysis has been conducted on the property estate to give an indication of the impact of movements in the most sensitive assumption, EBITDA. The analysis considers this single change with the other assumptions unchanged. In practice, changes in one assumption may be accompanied by changes in another. Changes in market values may also occur at the same time as any changes in assumptions. This information should not be taken as a projection of likely future valuation movements. Decreasing the EBITDA used in the revaluation by 10% would decrease the valuation by £64.0 million (2018: £61.4 million). Increasing the EBITDA used in the revaluation by 10% would increase the valuation by £64.0 million (2018: £61.4 million).

#### (b) Assets held under finance leases

The net book value of assets held under finance leases was:

	2019	2018
	£m	£m
Land and buildings held under finance leases	33.1	31.3
Long leaseholds	34.0	29.8
<b>Finance lease and long leaseholds</b>	<b>67.1</b>	<b>61.1</b>

#### (c) Capital commitments

Capital commitments not provided for in these financial statements and for which contracts have been placed amounted to:

<b>6.0</b>	7.4
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### 18. INVESTMENTS IN SUBSIDIARIES

Cost and net book value	Company
	£m
At 3 April 2017	30.2
Additions	6.7
Disposals	(1.2)
At 2 April 2018	<b>35.7</b>
Additions	<b>18.4</b>
Impairment	<b>(18.3)</b>
<b>At 1 April 2019</b>	<b>35.8</b>

	Country of incorporation and registration	Country of principal operations	% of equity and votes held
Group subsidiary undertakings			
580 Limited	England	England	100
BFI Limited*	England	England	100
Geronimo Airports Limited (in members' voluntary liquidation)**	England	England	100
Geronimo Inns Limited	England	England	100
Old Manor Trading Limited*	England	England	100
Redcomb Pubs & Bars Limited*	England	England	100
Redcomb Pubs Limited	England	England	100
Smiths of Smithfield Limited	England	England	100

\*These shares are indirectly held.

\*\*Dissolved on 24 April 2019.

During the current period, the company acquired the entire issued share capital of Redcomb Pubs Limited, the parent company of Redcomb Pubs & Bars Limited, BFI Limited and Old Manor Trading Limited. This created an additional investment of £18.4 million.

During the current period, an impairment loss of £18.3 million was recognised on the investment in Geronimo Inns Limited as the majority of the assets of Geronimo Inns Limited have been transferred into the company.

During the prior period, the company acquired 100% of the share capital of Smiths of Smithfield Limited, creating an additional investment of £6.7 million.

During the prior period, the trade and the assets of Geronimo Airports Limited were transferred into the company and in December 2017 Geronimo Airports Limited went into members' voluntary liquidation. An investment disposal of £1.2 million was recognised in respect of this.

All group subsidiaries' registered offices are at Riverside House, 26 Osiers Road, Wandsworth, London SW18 1NH.

## 19. INVENTORIES

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Finished goods and raw materials	3.7	3.0	3.4	3.0

## 20. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Trade receivables	2.8	2.3	2.8	2.3
Other receivables	0.8	0.8	0.8	0.8
Prepayments	4.7	3.9	4.3	3.9
Amounts due from subsidiaries	–	–	16.6	1.6
	8.3	7.0	24.5	8.6

Trade receivables are denominated in sterling, are non-interest bearing and are generally on 0-20 days' terms. They are carried at amortised cost less expected lifetime credit losses.

Considering the probability of default and loss given default, the 12-month expected credit losses on amounts due from subsidiaries are not material in the current period.

At 1 April 2019, there were expected lifetime credit losses recognised against the trade receivables of £0.7 million (2018: bad debt provision of £0.8 million).

The table below provides an indication of the expected lifetime credit losses recognised in the current period in accordance with IFRS 9 and the bad debt provision in the prior period in accordance with IAS 39:

	2019 £m	2018 £m
Opening balance	0.8	0.6
Charge for period	–	0.3
Amounts written off	(0.1)	(0.1)
	0.7	0.8

Management have applied the provision matrix to identify expected credit losses in the current period as follows:

	Total £m	Neither past due nor impaired £m	<31 days £m	31-60 days £m	61-90 days £m	91+ days £m
2019	2.8	2.1	0.2	0.2	0.1	0.2
Percentage loss rate		5%	40%	80%	100%	100%
Expected lifetime credit	0.7	0.1	0.1	0.2	0.1	0.2
2018	2.3	2.1	0.2	–	–	–

## 21. TRADE AND OTHER PAYABLES

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Trade payables	16.0	13.0	14.7	13.0
Other tax and social security	6.9	4.8	6.2	4.8
Other creditors	7.2	7.2	7.1	7.2
Accruals and deferred income	5.8	5.9	5.8	5.9
Amounts due to subsidiaries	–	–	6.1	57.3
	35.9	30.9	39.9	88.2

All trade payables are payable on demand and the carrying values above equate to fair value.

Other creditors mainly consist of employee and property related creditors.

Amounts due to subsidiaries decreased as a result of settlement for the purchase of assets from Geronimo in the prior period.

## Notes to the financial statements

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### 22. 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 board monitors its capital using gearing ratios, such as net debt as a multiple of EBITDA and interest cover. The group works within a financial framework aimed at keeping net debt to EBITDA not greater than 4.0 times. At the period end, the net debt to EBITDA was 2.2 times (2018: 2.0 times), providing the group with plenty of headroom. All covenants in relation to bank loans have also been fully complied with. The group finances the business with a mixture of equity (note 26) and debt (note 29).

The group's principal treasury objective is 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, liquidity and cash flow. Other risks that the group faces are referred to in the principal risks and uncertainties section starting on page 8. The board seeks to manage the financial risks 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 help manage this exposure by fixing interest rates whilst matching the maturity profile and cash flows of the underlying debt. These swaps are designated as cash flow 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 %	Effect on profit before tax £m
<b>2019</b>	<b>+1.0</b>	<b>(0.60)</b>
	<b>-0.5</b>	<b>0.30</b>
2018	+1.0	(0.40)
	-0.5	0.20

#### Credit risk

The objective is to minimise the group's credit risk. Credit risks include counterparties defaulting on their debts or other obligations which would impair the group's ability to recover the carrying value of that asset. This is assessed with regard to historical credit losses experienced, the current economic climate, expected changes in forecasts and specific other factors of future events.

The group has financial control policies which it follows before entering into arrangements with a new counterparty or when there is a substantial change in the existing relationship. The group's maximum credit risk is considered to be limited to its trade receivables (note 20). The company is not considered to have any exposure to credit risk from amounts due from subsidiaries.

#### Liquidity and cash flow 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.

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

	Group and company	
	<b>2019</b>	2018
	<b>£m</b>	£m
Current liabilities	<b>(1.9)</b>	(1.9)
Non-current liabilities	<b>(4.2)</b>	(4.7)
Total financial liabilities	<b>(6.1)</b>	(6.6)
Fair value movement of interest rate swaps recognised in other comprehensive income	<b>0.5</b>	4.3

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

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

Of the interest rate swaps, £2.0 million is payable within one year, £1.9 million is payable between one and two years and £2.5 million is payable between two and five years.

## (b) Loans, borrowings, interest rates and fair values

	Group and company					Fair value 2019 £m	Book value 2019 £m
	Term or expiry date	Effective interest rate when hedged	Variable interest rate when unhedged <sup>(1)</sup>	Period rate fixed			
<b>2019</b>							
<b>Secured</b>							
£30 million loan swapped into fixed rate	March 2021	4.34%	L+1.50%	2 years		<b>31.2</b>	<b>30.0</b>
£20 million loan swapped into fixed rate	March 2021	2.23%	L+1.50%	2 years		<b>20.0</b>	<b>20.0</b>
£30 million loan swapped into fixed rate	March 2023	5.97%	L+0.95%	4 years		<b>34.7</b>	<b>30.0</b>
£10 million loan swapped into fixed rate	May 2024	2.77%	L+1.35%	5 years		<b>10.0</b>	<b>9.9</b>
£10 million loan swapped into fixed rate	May 2024	2.71%	L+1.50%	5 years		<b>10.0</b>	<b>9.9</b>
£100 million revolving credit facility	March 2024	Variable	L+0.75%	None		<b>63.2</b>	<b>63.2</b>
						<b>169.1</b>	<b>163.0</b>

<sup>(1)</sup> For variable rate loans, the interest rate payable is either 1-month or 3-month LIBOR (L) plus the margin shown.

### Unsecured

Current borrowings							<b>8.5</b>
Finance leases							<b>0.6</b>

### Financial liabilities

**172.1**

	Group and company	
	Group 2019 £m	Company 2019 £m
Current borrowings	<b>8.5</b>	<b>8.5</b>
Non-current financial liabilities	<b>163.6</b>	<b>163.6</b>
<b>Financial liabilities</b>	<b>172.1</b>	<b>172.1</b>

	Group and company					Fair value 2018 £m	Book value 2018 £m
	Term or expiry date	Effective interest rate when hedged	Variable interest rate when unhedged <sup>(1)</sup>	Period rate fixed			
<b>2018</b>							
<b>Secured</b>							
£30 million loan swapped into fixed rate	March 2021	4.34%	L+1.50%	3 years		31.5	29.9
£20 million loan swapped into fixed rate	March 2021	2.23%	L+1.50%	3 years		19.8	20.0
£30 million loan swapped into fixed rate	March 2023	5.97%	L+0.95%	5 years		35.3	30.0
£10 million loan swapped into fixed rate	May 2024	2.77%	L+1.35%	6 years		10.0	9.9
£10 million loan swapped into fixed rate	May 2024	2.71%	L+1.50%	6 years		9.8	9.9
£75 million revolving credit facility	March 2023	Variable	L+0.75%	None		37.4	37.4
						<b>143.8</b>	<b>137.1</b>

<sup>(1)</sup> For variable rate loans, the interest rate payable is either 1-month or 3-month LIBOR (L) plus the margin shown.

### Unsecured

Current borrowings							10.0
Finance leases							0.6
<b>Financial liabilities</b>							<b>147.7</b>

	Group and company	
	Group 2018 £m	Company 2018 £m
Current borrowings	10.0	10.0
Non-current financial liabilities	137.7	137.7
<b>Financial liabilities</b>	<b>147.7</b>	<b>147.7</b>

The secured borrowings are secured on the assets of the group (other than two pubs, broadly up to a value of £12.0 million, which provide security to the Young & Co.'s Brewery, P.L.C. Pension Scheme).

The fair values of borrowings and interest rate derivatives are estimates based on prevailing market rates of interest and expected future cash flows arising from those instruments. The group enters into interest rate derivatives with various banks; these counterparties each have investment grade credit ratings. Interest rate swaps are valued using Level 2 valuation techniques, which employ the use of market observable inputs. The valuation techniques include swap models using present value calculations. The models incorporate various inputs, including the credit quality of counterparties, discount factors and interest rate curves. As at 1 April 2019, the marked-to-market value of other derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships.

## Notes to the financial statements

Continued

### 22. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

#### Bank overdrafts

Bank overdrafts are used for day to day cash management. The group has a £10 million overdraft facility with interest linked to the Bank of England base rate.

#### Bank loans

The group has a bilateral £10 million term loan with Barclays Bank plc and a bilateral £10 million term loan with HSBC Bank plc, both repayable on 23 May 2024.

The group also has a bilateral £30 million term loan with the Royal Bank of Scotland and a £50 million syndicated facility with the Royal Bank of Scotland and Barclays. The bilateral loan with the Royal Bank of Scotland is repayable on 28 March 2023. The syndicated loan is repayable on 17 March 2021. Interest rate swaps have been entered into in respect of these bank loans which result in the effective interest charge being fixed at the rates disclosed on the previous page.

#### Revolving credit facility

In the prior period, the group entered into a new £75 million revolving credit facility split evenly with Barclays and HSBC. This was used to replace the previous equivalent sum revolving credit facility with Royal Bank of Scotland and Barclays. Arrangement fees relating to the revolving credit facility were capitalised and will be written off to the income statement over the life of the facility.

During the current year the group exercised its right to extend the maturity date of the revolving credit facility by 1 year, making the new maturity date March 2024. A further 1 year extension is available to the group in March 2020, should it see fit to take advantage of this facility. The group also exercised an option to increase the limit of the revolving credit facility by £25 million to £100 million. The availability of these funds serve to maintain the headroom available to the group following the acquisition of the Redcomb group in January 2019.

At the period end, £64.0 million was drawn. Final repayment of the total drawn down balance is due as one payment on 20 March 2024. This is a committed facility which permits drawings of different amounts and for different periods. These drawings carry interest at a margin above LIBOR with a commitment payment on the undrawn portions. Interest is payable at each loan renewal date.

#### (c) Maturity of the group's financial liabilities and expiry of facilities

	Maturity of financial liabilities				
	Within one year £m	Between one and two years £m	Between two and five years £m	After five years £m	Total £m
<b>2019</b>					
Borrowings	10.3	51.8	112.3	20.0	194.4
Trade and other payables	30.5	–	–	–	30.5
	<b>40.8</b>	<b>51.8</b>	<b>112.3</b>	<b>20.0</b>	<b>224.9</b>
2018	Within one year £m	Between one and two years £m	Between two and five years £m	After five years £m	Total £m
Borrowings	10.9	1.1	122.8	20.0	154.8
Trade and other payables	25.3	–	–	–	25.3
	36.2	1.1	122.8	20.0	180.1

The above maturity table includes contractual gross undiscounted cash flows of the borrowings, related interest, net derivatives, finance leases, trade and other payables and contractual accruals.



(d) Fair value hierarchy for instruments measured at fair value

	Group and company			
	Fair value 2019 £m	Level 1 2019 £m	Level 2 2019 £m	Level 3 2019 £m
<b>Financial liabilities at fair value</b>				
Interest rate swaps	6.1	–	6.1	–
	6.1	–	6.1	–
	Fair value 2018 £m	Level 1 2018 £m	Level 2 2018 £m	Level 3 2018 £m
<b>Financial liabilities at fair value</b>				
Interest rate swaps	6.6	–	6.6	–
	6.6	–	6.6	–

**Level 1**

Fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2**

Fair values measured using inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly.

Interest rate swaps are accounted for at their fair value, calculated using a discounted cash flow method. Actual and estimated cash flows are discounted by applying discount factors derived from observable market data and by considering the credit risk.

**Level 3**

Fair values measured using inputs for the asset or liability that are not based on observable market data.

(e) Financial assets and other financial liabilities

Financial assets and other financial liabilities of the group and the company are not included in this note because their book value approximates their carrying value.

(f) Changes in liabilities arising from financing activities

	Group and company						At 1 April 2019 £m
	At 3 April 2018 £m	Cash flows £m	Changes in fair value £m	Acquired Redcomb loans £m	Expired loans £m	Other £m	
Bank loans	147.1	13.9	–	10.5	–	–	171.5
Finance leases	0.6	–	–	–	–	–	0.6
<b>Total liabilities from financing activities</b>	<b>147.7</b>	<b>13.9</b>	<b>–</b>	<b>10.5</b>	<b>–</b>	<b>–</b>	<b>172.1</b>

The acquired Redcomb loans were immediately repaid on acquisition of Redcomb Pubs Limited. The repayment of the loan is presented within the cash flow movement.

	Group and company						At 2 April 2018 £m
	At 4 April 2017 £m	Cash flows £m	Changes in fair value £m	New loans £m	Expired loans £m	Other £m	
Bank loans	132.6	14.2	–	20.0	(20.0)	0.3	147.1
Derivative financial instruments	10.8	–	(4.3)	–	–	0.1	6.6
Finance leases	0.6	–	–	–	–	–	0.6
<b>Total liabilities from financing activities</b>	<b>144.0</b>	<b>14.2</b>	<b>(4.3)</b>	<b>20.0</b>	<b>(20.0)</b>	<b>0.4</b>	<b>154.3</b>

## Notes to the financial statements

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### 23. DEFERRED TAX

Deferred tax relates to the following:

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
<b>Deferred tax assets</b>				
Interest rate swaps	1.1	1.2	1.1	1.2
Retirement benefit schemes	1.5	1.0	1.5	1.0
Decelerated capital allowances	3.3	2.8	3.3	2.8
Capital losses	0.6	0.6	0.6	0.6
Share based payments	0.7	0.8	0.7	0.8
Trade losses	0.2	–	0.2	–
	<b>7.4</b>	6.4	<b>7.4</b>	6.4
<b>Deferred tax liabilities</b>				
Rolled over gains on property revaluations	(60.6)	(54.6)	(57.9)	(54.6)
<b>Net deferred tax liabilities</b>	<b>(53.2)</b>	(48.2)	<b>(50.5)</b>	(48.2)

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Opening balance	(48.2)	(44.2)	(48.2)	(40.0)
Tax credit in the income statement	0.9	1.2	1.0	1.3
Tax charge in the statement of comprehensive income	(3.3)	(5.2)	(3.3)	(5.2)
Recognised on acquisition	(2.6)	–	–	–
Transfer of property to parent company	–	–	–	(4.3)
<b>Closing balance</b>	<b>(53.2)</b>	(48.2)	<b>(50.5)</b>	(48.2)

Movements in the deferred tax assets are shown below:

	Interest rate swap £m	Retirement benefit scheme £m	Decelerated capital allowances £m	Capital losses £m	Share based payments £m	Trade losses £m	Total £m
<b>Deferred tax assets</b>							
Balance as at 3 April 2017	1.9	2.2	1.9	0.5	0.9	–	7.4
(Charged)/credited to the income statement	–	(0.2)	0.9	0.1	(0.1)	–	0.7
Charged to other comprehensive income	(0.7)	(1.0)	–	–	–	–	(1.7)
<b>Balance as at 2 April 2018</b>	<b>1.2</b>	<b>1.0</b>	<b>2.8</b>	<b>0.6</b>	<b>0.8</b>	–	<b>6.4</b>
(Charged)/credited to the income statement	–	0.2	0.5	–	(0.1)	0.2	0.8
(Charged)/credited to other comprehensive income	(0.1)	0.3	–	–	–	–	0.2
<b>Balance as at 1 April 2019</b>	<b>1.1</b>	<b>1.5</b>	<b>3.3</b>	<b>0.6</b>	<b>0.7</b>	<b>0.2</b>	<b>7.4</b>

The deferred tax assets and liabilities at the balance sheet date are calculated at the substantively enacted rate of 19% for balances that will be realised or settled between 3 April 2018 and 1 April 2020 and 17% for the remainder.

The group has realised capital losses of £4.9 million (2018: £4.9 million), which are available indefinitely to offset against future capital gains. A deferred tax asset has not been recognised in respect of £1.6 million (2018: £1.6 million) of these losses because at present it is unclear whether suitable gains will arise in the foreseeable future to utilise them. The company has realised capital losses of £3.3 million (2018: £3.3 million). A deferred tax asset has been recognised in respect of these losses in both the current and the prior period. The group's tax losses can be carried forward for an unlimited period.

In addition, the group has unrealised capital losses of £9.3 million (2018: £10.0 million). No deferred tax asset has been recognised in respect of these losses (2018: £nil) because it is uncertain whether they will be utilised. The company has unrealised capital losses of £9.3 million (2018: £9.8 million); no deferred tax asset has been recognised in respect of these losses (2018: £nil).

## 24. RETIREMENT BENEFIT SCHEMES

The company operates one defined benefit pension scheme, namely the Young & Co.'s Brewery, P.L.C. Pension Scheme, a defined contribution pension scheme and a post retirement health care scheme. The defined benefit scheme is closed to new entrants.

The aggregate contribution to the defined contribution scheme was £1.1 million (2018: £0.8 million) which is recognised as an expense in the income statement.

Independent, professionally qualified actuarial advice is sought to determine the liabilities arising from the defined benefit scheme, using the projected unit credit method. The scheme is formally valued every three years. The obligations under the scheme consist mainly of a final salary scheme which provides members with benefits based on length of service and salary.

Through its defined benefit scheme and post retirement health care scheme, the group is exposed to a number of risks. For details of the principal risks and uncertainties, see page 8.

The employer contribution to the defined benefit scheme for the period ended 1 April 2019 was £1.4 million of which £1.2 million were special contributions (2018: £1.3 million of which £1.2 million were special contributions) plus premiums of £0.2 million (2018: £0.2 million) to the post retirement health care scheme. The current arrangement as regards contribution rates specifies that special contributions of £1.2 million will be payable until October 2023.

Future employee contribution rates are projected to be between 8% and 11% of pensionable earnings. Future employer contribution rates are projected to be 18% of pensionable earnings. The total contributions to the defined benefit scheme in the 2020 financial period are expected to be £1.5 million which includes a special contribution of £1.2 million. The total contributions to the post retirement health care scheme in the 2020 financial period are expected to be £0.2 million. During the prior year, the company provided security over two managed houses (broadly, the amount recoverable under the security is limited to £10 million) with additional funding contributions continuing to be paid for the foreseeable future. The two managed houses had previously been subject to a floating charge in favour of the banks which provide the company with its loan facilities.

The Guaranteed Minimum Pension (GMP) is the minimum pension which a UK occupational pension scheme must provide for those employees who were contracted out of the State Earnings-Related Pensions Scheme between 6 April 1978 and 5 April 1997. Following the ruling of the High Court of Justice of England and Wales on 26 October 2018, the need to equalise the effect of differences in GMPs between males and females was made more certain and consequently an allowance for the effect of GMP equalisation has been made in the current financial period. Although a number of methodologies could be used to determine the impact, the group has adopted method C2 to identify its best estimate of the additional liabilities. These are charged as a past service cost in the income statement as an exceptional item (note 9) since the liabilities relate to employee service between 1990 and 1997 and they have no link to current business performance. The increase in liabilities as at 1 April 2019 is estimated at £2.5 million, assessed using market conditions at the date of the ruling as required by IAS 19.

The defined benefit scheme is closed to new entrants.

### Financial assumptions

	Pension		Health care	
	2019 %	2018 %	2019 %	2018 %
Discount rate	2.50	2.70	2.50	2.70
Inflation	3.30	3.30	3.30	3.30
Rate of increase in salaries	2.50	2.50	N/A	N/A
Discretionary pension increases	3.30	3.30	N/A	N/A
Rate of revaluation of deferred pensions	2.30	2.30	N/A	N/A
General medical expenses inflation	N/A	N/A	9.00	9.00

### Mortality assumptions

The life expectancies underlying the valuation are as follows:

	2019 Years	2018 Years
Current pensioners (at age 65) – males	21.7	22.1
Current pensioners (at age 65) – females	24.0	24.0
Future pensioners (at age 65) – males	23.1	23.8
Future pensioners (at age 65) – females	25.5	25.8

At the period end date, the average age of current pensioners was 73 years (2018: 73 years) and for future pensioners was 55 years (2018: 54 years).

The weighted average duration of liabilities for the current period was 18.4 years (2018: 18.6 years).

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

	Increase £m	Decrease £m
Effect on the aggregate service cost and interest cost	–	–
Effect on the defined benefit obligation	0.3	(0.3)

The sensitivities regarding the principal assumptions used to measure the schemes' liabilities are set out below. The illustrations consider the single change shown with the other assumptions assumed to be unchanged. In practice, changes in one assumption may be accompanied by changes in another assumption. Changes in market values may also occur at the same time as the changes in assumptions and may or may not offset them.

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 0.5%	Decrease/increase by 9.0%
Rate of inflation	Increase/decrease by 0.5%	Increase/decrease by 7.0%
Rate of increase in salary	Increase/decrease by 0.5%	Increase/decrease by nil%
Discretionary pension increases	Increase/decrease by 0.5%	Increase/decrease by 5.0%
Rate of revaluation of deferred pensions	Increase/decrease by 0.5%	Increase/decrease by 1.0%
Life expectations	Increase by 1 year	Increase by 5.0%

## Notes to the financial statements

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### 24. RETIREMENT BENEFIT SCHEMES (CONTINUED)

#### Pension scheme and health care scheme assets and liabilities

	Group and company	
	Assets and liabilities	
	2019	2018
	£m	£m
Equities	37.8	36.2
Diversified growth fund	20.5	11.3
Absolute return	–	12.2
Corporate bonds	56.7	56.4
Insured pensions	9.0	9.6
Other	0.1	(0.8)
<b>Total fair value of assets</b>	<b>124.1</b>	124.9
<b>Present value of retirement benefit liabilities</b>	<b>(132.7)</b>	(131.0)
<b>Scheme deficit</b>	<b>(8.6)</b>	(6.1)

The pension scheme assets includes some of the company's A shares with a fair value of £5.4 million (2018: £5.2 million). There are no property assets of the scheme occupied by the company.

Of the above assets, £115.0 million are quoted securities.

#### Movement in scheme deficits in the period

	Group and company					
	Pension scheme	2019 Health care scheme	Total	Pension scheme	2018 Health care scheme	Total
	£m	£m	£m	£m	£m	£m
<b>(a) Changes in the present value of the schemes are as follows:</b>						
Opening deficit	(2.4)	(3.7)	(6.1)	(8.8)	(4.0)	(12.8)
Current service cost	(0.3)	–	(0.3)	(0.3)	–	(0.3)
Past service cost	(2.5)	–	(2.5)	–	–	–
Contributions	1.4	0.2	1.6	1.3	0.2	1.5
Other finance charges	–	(0.1)	(0.1)	(0.2)	(0.1)	(0.3)
Remeasurement through other comprehensive income	(1.3)	0.1	(1.2)	5.6	0.2	5.8
<b>Closing deficit</b>	<b>(5.1)</b>	<b>(3.5)</b>	<b>(8.6)</b>	(2.4)	(3.7)	(6.1)
<b>(b) Recognised in the income statement</b>						
Current service cost included in operating costs	(0.3)	–	(0.3)	(0.3)	–	(0.3)
<b>Net interest expense</b>	–	(0.1)	(0.1)	(0.2)	(0.1)	(0.3)
<b>(c) Recognised in the statement of comprehensive income</b>						
Experience gains arising on the schemes' liabilities	1.1	0.1	1.2	1.1	0.2	1.3
Changes in demographic assumptions underlying the schemes' liabilities	2.3	0.1	2.4	0.9	–	0.9
Changes in financial assumptions underlying the schemes' liabilities	(4.3)	(0.1)	(4.4)	2.0	–	2.0
Remeasurement of obligations	(0.9)	0.1	(0.8)	4.0	0.2	4.2
Return on schemes' assets (less amounts included in the net interest expense)	(0.4)	–	(0.4)	1.6	–	1.6
<b>Net remeasurement recognised</b>	<b>(1.3)</b>	<b>0.1</b>	<b>(1.2)</b>	5.6	0.2	5.8

	Group and company					
	Pension scheme £m	2019 Health care scheme £m	Total £m	Pension scheme £m	2018 Health care scheme £m	Total £m
<b>(d) Movements in the present value of schemes' obligations during the period</b>						
Opening defined benefit obligations	(127.3)	(3.7)	(131.0)	(132.3)	(4.0)	(136.3)
Current service cost	(0.3)	–	(0.3)	(0.3)	–	(0.3)
Past service cost	(2.5)	–	(2.5)	–	–	–
Interest on obligations	(3.3)	(0.1)	(3.4)	(3.5)	(0.1)	(3.6)
Contributions by schemes' members	(0.1)	–	(0.1)	(0.1)	–	(0.1)
Remeasurement of obligations	(0.9)	0.1	(0.8)	4.0	0.2	4.2
Benefits paid	5.2	0.2	5.4	4.9	0.2	5.1
<b>Present value of schemes' liabilities</b>	<b>(129.2)</b>	<b>(3.5)</b>	<b>(132.7)</b>	<b>(127.3)</b>	<b>(3.7)</b>	<b>(131.0)</b>
<b>(e) Change in fair value of schemes' assets</b>						
Opening fair value of schemes' assets	124.9	–	124.9	123.5	–	123.5
Interest on schemes' assets	3.3	–	3.3	3.3	–	3.3
Return on schemes' assets (less amounts included in the net interest expense)	(0.4)	–	(0.4)	1.6	–	1.6
Contributions by employer	1.4	0.2	1.6	1.3	0.2	1.5
Contributions by schemes' members	0.1	–	0.1	0.1	–	0.1
Benefits paid	(5.2)	(0.2)	(5.4)	(4.9)	(0.2)	(5.1)
<b>Fair value of schemes' assets</b>	<b>124.1</b>	<b>–</b>	<b>124.1</b>	<b>124.9</b>	<b>–</b>	<b>124.9</b>

## 25. OTHER NON-CURRENT LIABILITIES

	Group and company		
	Provisions £m	Deferred income £m	Total £m
At 3 April 2017	1.1	–	1.1
Released on disposal of property	(0.5)	–	(0.5)
Created	0.1	0.5	0.6
At 2 April 2018	0.7	0.5	1.2
Released	(0.5)	(0.2)	(0.7)
<b>At 1 April 2019</b>	<b>0.2</b>	<b>0.3</b>	<b>0.5</b>

The provisions relate to four property leases where the expected operating income does not cover the rents payable. The rent payable commitments range from 1 to 45 years.

## 26. SHARE CAPITAL AND RESERVES

	2019 Shares	2019 £000	2018 Shares	2018 £000
<b>Issued and fully paid shares – 12.5p each</b>				
Opening balance	48,874,822	6,110	48,809,518	6,102
Issued under employee share schemes	90,218	11	65,304	8
<b>Closing balance</b>	<b>48,965,040</b>	<b>6,121</b>	<b>48,874,822</b>	<b>6,110</b>

Of the opening balance, 29,714,822 are A shares and 19,160,000 are non-voting shares (2018: 29,649,518 A shares, 19,160,000 non-voting shares). Of the closing balance, 29,805,040 are A shares and 19,160,000 are non-voting shares (2018: 29,714,822 A shares, 19,160,000 non-voting shares).

For details of the A shares issued in the current period, see Director's emoluments (note 8(b)) and Share Awards (note 27).

The two classes of shares are equal in all respects except that the non-voting shares do not carry the right to receive notices of, or to attend, speak or vote at, general meetings.

## Notes to the financial statements

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### Share premium account

The share premium account represents the excess of proceeds received over the nominal value of new shares issued.

### Capital redemption reserve

The capital redemption reserve arose from the repurchase and subsequent cancellation of ordinary share capital. The balance represents the nominal amount of the share capital cancelled.

### Hedging reserve

Hedging reserve adjustments arise from the movement in fair value of the group's derivative instruments used as an effective hedge.

### Revaluation reserve

The revaluation reserve represents unrealised gains generated on the property estate from annual property valuations. It arises from the surplus of fair value over the original cost, net of any associated deferred taxation.

## 27. SHARE AWARDS

The group operates two types of share-based payment arrangements: an executive director / senior management employee deferred bonus scheme ("DBS") and a Save-As-You-Earn ("SAYE") scheme.

### (a) DBS

This scheme is designed to incentivise the executive directors and certain other senior management employees to deliver long-term superior shareholder returns. For the directors, it is expected that half of any bonus will be settled in shares, with the other half being paid in cash except to the extent that the director elects to receive all or part of it in shares instead. The values of these parts of the bonus awards are subject to caps equal to 125% of basic annual salary in the case of Patrick Dardis and to 100% of basic annual salary in the case of Torquil Sligo-Young and Tracy Dodd. For the senior management employees, there is no expectation that any bonus will be settled in shares, but the individual may elect to take up to half in this way. For every share taken in place of cash by a director or senior management employee, the individual is allowed to subscribe at nominal value for one 'matching' share. The company retains the right to determine, at its sole and absolute discretion, the form in which any bonus is provided (i.e. by issue or transfer of shares and/or payment of cash); this is notwithstanding any election that a director or senior management employee may make. So, if the company decides to pay a bonus entirely in cash, no 'matching' shares are receivable. None of the individuals are generally free to sell any of the shares received before the end of a restricted period which ordinarily will end three years after the shares are received – special rules apply if an individual's employment terminates earlier by reason of death, retirement, illness, disability or redundancy. The 'matching' shares are subject to satisfaction of a further condition relating to the extent to which the group's adjusted earnings per ordinary share in respect of the group's continuing operations for a particular performance period exceeds the same measure for an earlier financial period. In certain circumstances, the shares received, whether 'matching' or otherwise, have to be transferred to the company or to an employee benefit trust designated by the company at a pre-agreed price or, in the case of 'matching' shares, for no consideration. The number of shares to be received by an individual in order to fulfil their entitlement is based on the market price of the company's A shares as shown in the online version of the Financial Times published on the date on which the shares are allotted (in the case of shares to be issued) or on the date of transfer set out in the relevant transfer form (in the case of shares to be transferred).

The following table summarises the outstanding entitlements to A shares under the DBS as at 2 April 2018 and 1 April 2019 of the directors and senior management employees who served during the period ended 1 April 2019. All these shares are registered in the relevant individual's name and, save as explained above, are fully vested. The weighted fair value of the A shares awarded during the period was 1,710 pence per share (2018: 1,342 pence per share). During the year, the 'matching' shares were issued on the same date as the 'non-matching' shares which had a market value of 1,705p per share (2018: 1,332p per share).

	Date of award	Matching shares (Y/N)	At 2 April 2018	Awarded during the period	Restrictions ceased to apply during the period	Transferred during the period <sup>(1)</sup>	At 1 April 2019	Issue price (pence per share) <sup>(2)</sup>
Stephen Goodyear	June 2015	N	22,446	–	(22,446)	–	–	1,280.0
	June 2015	Y	11,223	–	(11,223)	–	–	12.5
	June 2016	N	22,199	–	–	–	<b>22,199</b>	1,205.0
	June 2016	Y	11,099	–	–	–	<b>11,099</b>	12.5
Patrick Dardis	June 2015	N	7,522	–	(7,522)	–	–	1,280.0
	June 2016	N	15,495	–	–	–	<b>15,495</b>	1,205.0
	June 2016	Y	7,747	–	–	–	<b>7,747</b>	12.5
	June 2017	N	17,671	–	–	–	<b>17,671</b>	1,332.0
	June 2017	Y	8,835	–	–	–	<b>8,835</b>	12.5
	June 2018	N	–	14,179	–	–	<b>14,179</b>	1,705.0
Torquil Sligo-Young	June 2015	N	8,977	–	(8,977)	–	–	1,280.0
	June 2015	Y	4,488	–	(4,488)	–	–	12.5
	June 2016	N	10,428	–	–	–	<b>10,428</b>	1,205.0
	June 2016	Y	5,214	–	–	–	<b>5,214</b>	12.5
	June 2017	N	7,045	–	–	–	<b>7,045</b>	1,332.0
	June 2017	Y	3,522	–	–	–	<b>3,522</b>	12.5
	June 2018	N	–	6,929	–	–	<b>6,929</b>	1,705.0
	June 2018	Y	–	3,464	–	–	<b>3,464</b>	12.5
Tracy Dodd	June 2017	N	2,579	–	–	–	<b>2,579</b>	1,332.0
	June 2018	N	–	4,329	–	–	<b>4,329</b>	1,705.0
	June 2018	Y	–	393	–	–	<b>393</b>	12.5

	Date of award	Matching shares (Y/N)	At 2 April 2018	Awarded during the period	Restrictions ceased to apply during the period	Transferred during the period <sup>(1)</sup>	At 1 April 2019	Market price (pence per share) <sup>(2)</sup>
Steven Robinson <sup>(3)</sup>	June 2015	N	2,343	–	(2,343)	–	–	1,280.0
	June 2015	Y	2,343	–	(2,343)	–	–	12.5
	June 2016	N	2,551	–	–	(2,551)	–	1,205.0
	June 2016	Y	2,551	–	–	(2,551)	–	12.5
	June 2017	N	7,252	–	–	(7,252)	–	1,332.0
	June 2017	Y	3,626	–	–	(3,626)	–	12.5
	June 2018	N	–	9,975	–	(5,000)	<b>4,975</b>	1,705.0
June 2018	Y	–	–	4,987	–	(4,987)	12.5	
Senior management employees	June 2015	N	5,369	–	(5,369)	–	–	1,280.0
	June 2015	Y	5,369	–	(5,369)	–	–	12.5
	June 2016	N	5,898	–	–	–	<b>5,898</b>	1,205.0
	June 2016	Y	5,898	–	–	–	<b>5,898</b>	12.5
	June 2017	N	6,936	–	–	–	<b>6,936</b>	1,332.0
	June 2017	Y	6,936	–	–	–	<b>6,936</b>	12.5
	June 2018	N	–	6,807	–	–	<b>6,807</b>	1,705.0
June 2018	Y	–	–	6,807	–	(6,807)	12.5	

<sup>(1)</sup>These shares were transferred to the Ram Brewery Trust II, an employee benefit trust designated by the company. The transfers were at the issue price per share shown in the far right-hand column, apart from the following:

- the 5,000 June 2018 awarded shares were transferred at 1,522.5p per share: this was the price for an A share as shown in the online version of the Financial Times published on 31 January 2019, being the day of the transfer; and
- those shares with an issue price of 12.5p were transferred for no consideration.

<sup>(2)</sup>For 'matching' shares, the price shown is the nominal value.

<sup>(3)</sup>Steven resigned from the board on 11 December 2018 and left the company.

The performance periods for the awards dated June 2016, 2017 and 2018 are the group's four-year financial periods ending on or around 31 March 2019, 2020 and 2021 respectively.

The group's adjusted earnings per share performance conditions set a range for the adjusted earnings per share for the relevant period; they are not disclosed due to commercial sensitivity. It is anticipated that the maximum target for the adjusted earnings per share performance conditions will be met as to 90% for the awards dated June 2016, as to 50% for the awards dated June 2017 and as to 30% for the awards dated June 2018.

A charge of £0.2 million (2018: £0.5 million) was made to the group and company income statements in respect of the outstanding 70,190 'matching' shares at 1 April 2019 (2018: 103,473).

#### (b) SAYE

The scheme enables eligible directors and employees to acquire options over the company's A shares. The options can be granted at a discount of up to 20% of the market price of an A share at the time invitations to join the scheme for the relevant year are issued, with the proceeds of a related SAYE savings contract then being used to acquire shares at a later date if the option holders choose to do so. All employees who have worked for the minimum qualifying period on an invitation date are eligible to join the scheme. Options granted under the scheme are not subject to performance conditions other than continued employment. These options are all equity-settled.

In the current period, options over 52,275 A shares (2018: 73,312 A shares) were granted under the scheme at an exercise price of 1,364p per share (2018: 1,066p per share). These options will generally be exercisable between 1 September 2021 and 28 February 2022.

Options over 134,096 A shares were outstanding at the beginning of the period. During the period, options over 20,087 A shares lapsed and options over 24,402 A shares were exercised at 1,013p per share. The weighted average share price of shares exercised in the period was 1,710p per share. The options that were exercised resulted in an increase in share capital of £3,050.25 and an increase in share premium of £244,142.01. A charge of £0.1 million (2018: £0.1 million), valued using the Black-Scholes option pricing model, was made to the group and company income statements in respect of these options in the period. As at 1 April 2019, options over 141,882 A shares remain outstanding.

#### Valuation assumptions

Assumptions used in the Black-Scholes model to determine the fair value of share options at grant date for the period ending 1 April 2019 and 2 April 2018 were as follows:

	Group and company			
	2018 plan	2017 plan	2016 plan	2015 plan
Share price at grant date (pence)	1,705.0	1,332.0	1,205.0	1,265.5
Exercise price (pence)	1,364.0	1,066.0	964.0	1,013.0
Expected volatility (%)	26.2	8.5	18.0	17.3
Option life (years)	3	3	3	3
Expected dividends (expressed as dividend yield %)	1.3	1.3	1.4	1.5
Risk-free interest rate (%)	0.7	2.4	0.9	1.0
Probability of forfeiture (%)	17.2	33.7	15.7	44.3

Volatility is based on the standard deviation of an A share of Young & Co.'s Brewery, P.L.C. over the three years prior to the grant date, adjusted for management's view of future volatility of share price. The assumed volatility may not necessarily be the actual outcome.

## Notes to the financial statements

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### 28. RELATED PARTY TRANSACTIONS

#### Directors

Directors' emoluments and retirement benefits are disclosed in notes 8(b) and (c). Directors' interests in the company's share capital are disclosed or referred to on page 22 and in notes 8(e) and 27. No other transactions requiring disclosure have been entered into with the directors.

#### Pension scheme and other trust

The Young & Co.'s Brewery, P.L.C. Pension Scheme (the "Scheme") provides pensions and other benefits to employees of the group and certain other individuals. It is managed by a corporate trustee, Young's Pension Trustees Limited ("YPTL"). Torquil Sligo-Young, a director of the company, and two other individuals, neither of whom is a director of the company, are the directors of YPTL. As at 1 April 2019, the Scheme held 337,067 A shares (2018: 337,067), being 1.13% of the class. In March 2018, the company granted a charge over two of its pubs as security for its obligation to make payments to the Scheme: the company felt that it was appropriate to agree to this so as to demonstrate its commitment to the Scheme and to provide YPTL, as trustee, with greater comfort as to the security of the Scheme. The charge was based on a standard form document issued by the Pension Protection Fund.

The Ram Brewery Trust II holds assets for the benefit of employees and former employees. It is managed by a corporate trustee, RBT II Trustees Limited ("RBT II"). Two individuals, neither of whom is a director of the company, are the directors of RBT II. As at 1 April 2019, the trust held 29,740 A shares (2018: 7,345), being 0.10% of the class. During the period, 3,572 A shares (2018: 31,104) were transferred out in connection with the company's profit sharing scheme (see note 8(d)), nil A shares (2018: 28,542) were transferred out in connection with the company's savings-related share option scheme (see note 8(e)) and 25,967 A shares (2018: nil) were transferred in in connection with the company's deferred annual bonus scheme (see note 27(a)).

#### Key management

The group considers key management personnel to be solely the directors of the company as they are the only people with authority and responsibility for planning, directing and controlling the activities of the group. The compensation provided to the directors is detailed in note 8; in addition, the group made employers' national insurance contributions of £0.3 million (2018: £0.4 million) and incurred a share based payment charge of £0.2 million (2018: £0.3 million).

### 29. NET CASH GENERATED FROM OPERATIONS AND ANALYSIS OF NET DEBT

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
<b>Profit before tax on continuing operations</b>	<b>39.5</b>	37.6	<b>72.7</b>	29.3
Net finance cost	<b>5.0</b>	5.6	<b>5.5</b>	6.6
Other finance charges	<b>0.1</b>	0.3	<b>0.1</b>	0.3
<b>Operating profit on continuing operations</b>	<b>44.6</b>	43.5	<b>78.3</b>	36.2
Depreciation	<b>23.4</b>	21.1	<b>22.4</b>	20.4
Amortisation of lease premiums	<b>0.9</b>	0.7	<b>0.4</b>	0.3
Goodwill impairment	–	0.2	–	0.2
Investment impairment	–	–	<b>18.3</b>	–
Movement on revaluation of properties	<b>0.1</b>	(0.3)	<b>0.1</b>	(0.3)
Profit on sales of property	<b>(0.4)</b>	(0.3)	<b>(0.4)</b>	(0.3)
Loss on disposal	–	0.5	–	0.5
Guaranteed minimum pension equalisation	<b>2.5</b>	–	<b>2.5</b>	–
Difference between pension service cost and cash contributions paid	<b>(1.3)</b>	(1.2)	<b>(1.3)</b>	(1.2)
Movement in other provisions	<b>(0.7)</b>	0.1	<b>(0.7)</b>	0.1
Share based payments	<b>0.3</b>	0.6	<b>0.3</b>	0.6
Movements in working capital				
- Inventories	<b>(0.4)</b>	(0.2)	<b>(0.4)</b>	(0.9)
- Receivables	<b>2.4</b>	0.4	<b>(15.9)</b>	7.6
- Payables	<b>(2.2)</b>	(3.7)	<b>(47.3)</b>	(9.4)
<b>Net cash generated from operations</b>	<b>69.2</b>	61.4	<b>56.3</b>	53.8
<b>Analysis of net debt</b>				
	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Cash	<b>8.5</b>	7.2	<b>8.2</b>	7.2
Current borrowings – current borrowings and loan capital	<b>(8.5)</b>	(10.0)	<b>(8.5)</b>	(10.0)
Non-current borrowings – loan capital and finance lease	<b>(163.6)</b>	(137.7)	<b>(163.6)</b>	(137.7)
<b>Net debt</b>	<b>(163.6)</b>	(140.5)	<b>(163.9)</b>	(140.5)



## 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.

Future minimum lease payments under finance leases are as follows:

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Future minimum lease payments due:				
- Not later than one year	–	–	–	–
- Later than one year and not later than five years	<b>0.2</b>	0.2	<b>0.2</b>	0.2
- Later than five years	<b>3.3</b>	2.5	<b>3.3</b>	2.5
	<b>3.5</b>	2.7	<b>3.5</b>	2.7
Less: finance charges allocated to future years	<b>(2.9)</b>	(2.1)	<b>(2.9)</b>	(2.1)
	<b>0.6</b>	0.6	<b>0.6</b>	0.6
The present value of minimum lease payments is analysed as follows:				
- Not later than one year	–	–	–	–
- Later than one year and not later than five years	–	–	–	–
- Later than five years	<b>0.6</b>	0.6	<b>0.6</b>	0.6
	<b>0.6</b>	0.6	<b>0.6</b>	0.6

Future minimum rentals receivable from non-cancellable subleases on the above properties as at 1 April 2019 were £0.3 million (2018: £0.4 million).

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

Operating leases for properties are for terms ranging from 1 to 54 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 not more than four years.

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Future minimum rentals payable under non-cancellable operating leases are as follows:				
- Not later than one year	<b>8.7</b>	7.2	<b>6.7</b>	6.2
- Later than one year and not later than five years	<b>31.3</b>	25.7	<b>23.7</b>	22.5
- Later than five years	<b>80.3</b>	60.3	<b>56.5</b>	55.7
	<b>120.3</b>	93.2	<b>86.9</b>	84.4

Future minimum rentals receivable from non-cancellable subleases on the above properties as at 1 April 2019 were £0.9 million (2018: £0.8 million).

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

The group leases licensed properties to third party tenants. These non-cancellable leases are over terms varying from 1 to 16 years.

Future minimum rentals receivable under non-cancellable operating leases are as follows:				
- Not later than one year	<b>3.6</b>	3.7	<b>3.6</b>	3.7
- Later than one year and not later than five years	<b>5.8</b>	5.4	<b>5.8</b>	5.4
- Later than five years	<b>3.9</b>	4.0	<b>3.9</b>	4.0
	<b>13.3</b>	13.1	<b>13.3</b>	13.1

## 31. Post balance sheet events

There were no post balance sheet events except for completion of a private placement debt facility; after the end of the financial year the group secured additional long-term debt financing through a private placement. This will see the group raise £35 million in July 2019, with Barings receiving senior secured notes at a fixed interest rate of 3.30% for 20 years.

## 32. Contingent liabilities

There were no contingent liabilities at the current or prior period balance sheet date.

	<b>2019</b>	2018	2017	2016	2015
	<b>52 weeks</b>	52 weeks	53 weeks	52 weeks	52 weeks
	<b>£m</b>	£m	£m	£m	£m
<b>Revenue</b>	<b>303.7</b>	279.3	268.9	245.9	227.0
<b>Operating profit before exceptional items</b>	<b>48.5</b>	46.9	46.1	41.2	37.6
Operating exceptional items	<b>(3.9)</b>	(3.4)	(3.4)	(2.8)	3.4
Net finance costs and other finance charges	<b>(5.1)</b>	(5.9)	(5.7)	(5.6)	(5.4)
<b>Profit before tax</b>	<b>39.5</b>	37.6	37.0	32.8	35.6
Taxation charge	<b>(8.0)</b>	(7.5)	(7.0)	(6.2)	(9.4)
Profit for the period from continuing operations	<b>31.5</b>	30.1	30.0	26.6	26.2
<b>Adjusted profit before tax</b>	<b>43.4</b>	41.0	40.4	35.6	32.2
<b>Net assets employed</b>					
Non-current assets	<b>860.8</b>	782.6	724.0	684.8	642.3
Current assets and assets held for sale	<b>21.2</b>	18.0	18.5	22.7	9.0
Current liabilities	<b>(51.2)</b>	(47.1)	(71.4)	(41.8)	(38.2)
Non-current liabilities	<b>(237.5)</b>	(204.3)	(178.1)	(213.2)	(205.5)
	<b>593.3</b>	549.2	493.0	452.5	407.6
<b>Financed by</b>					
Share capital	<b>6.1</b>	6.1	6.1	6.1	6.1
Reserves	<b>587.2</b>	543.1	486.9	446.4	401.5
	<b>593.3</b>	549.2	493.0	452.5	407.6
<b>Purchase of fixed assets, lease premiums and business combinations</b>	<b>67.0</b>	53.0	38.3	45.1	50.9
<b>Net debt</b>	<b>(163.6)</b>	(140.5)	(126.6)	(130.2)	(129.0)
	<b>Pence</b>	Pence	Pence	Pence	Pence
<b>Per 12.5p ordinary share</b>					
Adjusted basic earnings from continuing operations	<b>72.13</b>	67.74	66.43	58.44	51.04
Basic earnings from continuing operations	<b>64.36</b>	61.60	61.51	54.73	54.14
Dividends – paid in period	<b>20.17</b>	19.03	17.95	16.94	15.97
<b>Gearing</b>	<b>27.6%</b>	25.6%	25.7%	28.8%	31.6%
<b>Average number of employees</b>	<b>4,735</b>	4,116	3,924	3,735	3,496

## 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 to the purchaser or transferee, or to the person who arranged the sale or transfer, so they can pass it to the person who now holds the shares.**

If you hold any A shares, you should have received 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, 7 July 2019. Appointing a proxy does not stop you from attending the meeting and voting. An attendance 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.**

Notice is hereby given that the 130th 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, 9 July 2019 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 1 April 2019, together with the strategic report, directors' report and the auditor's report on those accounts and reports.
2. To declare a final dividend of 10.81p per share for the financial year ended 1 April 2019.
3. That Ernst & Young LLP be, and is hereby, re-appointed as the Company's auditor to hold office from the conclusion of this meeting until the conclusion of the next general meeting of the Company at which the Company's annual accounts and reports are laid in accordance with section 437 of the Companies Act 2006.
4. That the directors be, and are hereby, authorised to set the remuneration of the Company's auditor.
5. That Stephen Goodyear be, and is hereby, re-appointed as a director.
6. That Patrick Dardis be, and is hereby, re-appointed as a director.
7. That 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, at the close of business on 30 September 2020) 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.*
8. That the directors be, and are hereby, authorised to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company:
  - (a) up to a nominal amount of £2,040,210 (such amount to be reduced by the nominal amount allotted or granted under paragraph (b) below in excess of such sum); and
  - (b) comprising equity securities (as defined in section 560(1) of the Companies Act 2006) up to a nominal amount of £4,080,420 (such amount to be reduced by the nominal amount allotted or granted under paragraph (a) above) in connection with an offer by way of a rights issue:
    - (i) to holders of ordinary shares 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 authorities to apply until the end of next year's annual general meeting (or, if earlier, until the close of business on 30 September 2020) but, in each case, during this period the Company may make offers and enter into agreements which would, or might, require shares to be allotted or rights to subscribe for, or to convert securities into, shares to be granted after the authority ends and the directors may allot shares or grant rights to subscribe for, or to convert securities into, shares under any such offer or agreement as if the authority had not ended.

# Notice of meeting

Continued

## Special resolutions

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

9. That if resolution 8 is passed, the directors be, and are hereby, given power to allot equity securities (as defined in section 560(1) of the Companies Act 2006) for cash under the authorities given by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Companies Act 2006 did not apply to any such allotment or sale, such power to be limited:
- (a) to the allotment of equity securities and sale of treasury shares for cash in connection with an offer of, or invitation to apply for, equity securities (but in the case of the authority granted under paragraph (b) of resolution 8, by way of a rights issue only):
    - (i) to holders of ordinary shares 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 8 and/or in the case of any sale of treasury shares for cash, to the allotment (otherwise than under paragraph (a) above) of equity securities or sale of treasury shares up to a nominal amount of £306,031,
- such power to apply until the end of next year's annual general meeting (or, if earlier, until the close of business on 30 September 2020) but during this period the Company may make offers and enter into agreements which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the power ends and the directors may allot equity securities (and sell treasury shares) under any such offer or agreement as if the power had not ended.
10. That the Company be, and is hereby, authorised for the purposes of section 701 of the Companies Act 2006 to make one or more market purchases (as defined in section 693(4) of the Companies Act 2006) of its ordinary shares of 12.5p each ("Ordinary Shares"), such authority to be limited:
- (a) to a maximum number of 4,896,204 Ordinary Shares (which may be all A shares, all non-voting shares or a mix); and
  - (b) by the condition that, in each case exclusive of expenses, the minimum price that may be paid for an Ordinary Share is the nominal amount of that share and the maximum price that may be paid for an Ordinary Share is an amount equal to 5% above the average of the middle market quotations for that share as derived from the AIM appendix to the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which that share is contracted to be purchased,
- such authority to apply until the end of next year's annual general meeting (or, if earlier, until the close of business on 30 September 2020) but during this period the Company may enter into a contract to purchase Ordinary Shares which would, or might, be executed wholly or partly after the authority ends and the Company may purchase Ordinary Shares pursuant to any such contract as if the authority had not ended.

By order of the board

**ANTHONY SCHROEDER**

Company Secretary

22 May 2019

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 7am on Monday, 8 July 2019 (or, in the event of any adjournment, at 7am 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 attendance 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 or its registrar. To be valid, your proxy form must be received by the Company's registrar no later than 11.30am on Sunday, 7 July 2019.

### 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 (but your proxy appointment will automatically be terminated).

### 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 different 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 or its registrar 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 registrar 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.

## Notice of meeting

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Continued

(h) In relation to paragraph (g), if you do not specifically revoke proxies, it will not be possible for the Company to determine your intentions 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 or its registrar. 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 registrar 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 registrar 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 registrar 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.

### Multiple corporate representatives

If you are a corporation, you may appoint one or more corporate representatives who may exercise on your behalf all your powers as a member provided they do not do so in relation to the same A shares.

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

The Company's registrar is Computershare Investor Services PLC. They can be contacted at The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ. Their telephone number is 0370 7071420.

### 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 10am on the day of the meeting:

- copies of the executive directors' service contracts; and
- copies of the letters of appointment of the non-executive directors.

After 10am 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 2019 annual report or any proxy form for the Company's 130th 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 130th annual general meeting of Young & Co.'s Brewery, P.L.C. (the "Company") to be held on Tuesday, 9 July 2019 is set out on pages 81 to 84. 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 and unanimously recommend that all A shareholders vote in favour of them as they intend to do in respect of their beneficial holdings.**

**Resolutions 1 to 8 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 strategic report, directors' report and the auditor's report on those accounts and reports before you at a general meeting; this is a legal requirement.

Resolution 2: final dividend

An interim dividend of 9.97p per share was paid in December 2018. The directors are recommending a final dividend of 10.81p per share for the year ended 1 April 2019, bringing the total dividend for the year to 20.78p per share. Subject to approval being given, the final dividend is expected to be paid on 11 July 2019 to shareholders on the register at the close of business on 7 June 2019.

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 their re-appointment is therefore being proposed.

Resolution 4: auditor's remuneration

In accordance with normal practice, the directors are asking for your authority to set the auditor's remuneration.

Resolutions 5 and 6: re-appointments of directors

Stephen Goodyear and Patrick Dardis will be retiring automatically from the office of director at the meeting; this is because they held that position at the last two annual general meetings and did not retire at either of them. They are both seeking re-appointment and their brief biographical and other details are on page 20.

Resolution 7: 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 8: general authority to allot

This resolution effectively seeks renewal of the directors' existing authority to allot shares and grant rights. Paragraph (a) of this resolution would give the directors the authority to allot shares or grant rights to subscribe for, or to convert any securities into, shares up to an aggregate nominal amount equal to £2,040,210 – this amount represents one-third of the Company's issued share capital as at 17 May 2019 (but would be reduced by the nominal amount of any shares allotted or rights granted under paragraph (b) of this resolution in excess of £2,040,210). In line with guidance issued by the Investment Association, paragraph (b) of this resolution would give the directors authority to allot shares or grant rights to subscribe for, or to convert any securities into, shares in connection with a rights issue in favour of shareholders up to an aggregate nominal amount equal to £4,080,420, as reduced by the nominal amount of any shares allotted or rights granted under paragraph (a) of this resolution – this amount (before any reduction) represents two-thirds of the Company's issued share capital as at 17 May 2019. Therefore the maximum nominal amount of shares and rights

that may be allotted or granted under this resolution is £4,080,420. The authorities sought under paragraphs (a) and (b) of this resolution will expire at the end of next year's annual general meeting (or, if earlier, the close of business on 30 September 2020). The directors have no present intention of exercising either of the authorities sought under this resolution other than in respect of any one or more of the Company's share schemes. As at the date of the notice, no shares are held by the Company in treasury.

**Resolutions 9 and 10 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 9: general power to disapply

This resolution effectively seeks renewal of the directors' existing power to allot shares (or sell any shares which the Company elects to hold in treasury) for cash without first offering them to existing shareholders in proportion to their existing shareholdings. This authority would, similar to previous years, be 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 £306,031. This aggregate nominal amount represents approximately 5% of the Company's issued share capital as at 17 May 2019. The power sought under this resolution will expire at the end of next year's annual general meeting (or, if earlier, the close of business on 30 September 2020).

Resolution 10: authority to undertake market purchases of own shares

This resolution effectively seeks renewal of the Company's existing authority to make market purchases of not more than 4,896,504 of its shares, being no more than 10% of its issued share capital as at 17 May 2019. The authority sought under this resolution will expire at the end of next year's annual general meeting (or, if earlier, the close of business on 30 September 2020). The directors have no present intention of exercising the authority to make market purchases, however the authority provides the flexibility to allow them to do so in the future. The directors will exercise this authority only when to do so would be in the best interests of the Company, and of its shareholders generally, and could be expected to be earnings enhancing. Any shares purchased pursuant to this authority will be held in treasury or be cancelled. The minimum price, exclusive of expenses, that may be paid for a share is its nominal value. The maximum price, exclusive of expenses, that may be paid for a share is an amount equal to 5% above the average of the middle market quotations for that share for the five business days immediately preceding the date of the purchase. As at 1 May 2019, there were options outstanding over 140,349 A shares, representing 0.29% of the Company's issued share capital at that date. If the Company were to purchase (and cancel) its own shares to the fullest possible extent of its existing authority and of the authority sought pursuant to this resolution, these would then represent 0.36% of the Company's issued share capital. No warrants to subscribe for shares are outstanding.

# Pubs and hotels

## London and the surrounding areas

**Stow on the Wold**  
Bell at Stow **H**

**Chipping Norton**  
Blue Boar

**Oxford**  
Angel & Greyhound  
King's Arms

**Radlett**  
Red Lion Hotel **H**

**Hendon**  
Beaufort  
Greyhound **T**

**Kilburn**  
Queen's Arms **T**

**Harlesden**  
Grand Junction Arms **T**

**Maida Vale**  
Prince Alfred

**Greenford**  
Bridge Hotel **H**

**Ealing**  
Grange  
New Inn **T**  
Village Inn

**Shepherd's Bush**  
Bull (Westfield)  
Eagle  
Defector's Weld

**Hammersmith**  
Brook Green Hotel **H**  
Thatched House **T**  
Hammersmith Ram  
Old Ship

**Notting Hill**  
Duke of Wellington  
Elgin

**Paddington**  
Porchester  
Lockhouse

**Bayswater**  
Mitre

**Isleworth**  
Castle **T**  
Coach & Horses

**Twickenham**  
Alexander Pope **H**

**Teddington**  
Abercorn Arms **T**  
Park **H**

**Kew**  
Coach & Horses **H**

**Richmond**  
Lass O'Richmond Hill  
Marlborough  
Old Ship  
Orange Tree **H**  
Red Cow **T**  
Shaftesbury  
Waterman's Arms **T**  
White Cross

**Mortlake**  
Jolly Gardeners **T**

**East Sheen**  
Hare & Hounds

**Barnes**  
Bull's Head  
Coach & Horses  
White Hart

**Kensington**  
Britannia  
Curtains Up  
Duke of Clarence

**Fulham**  
Cock Tavern  
Duke on the Green  
Waterside

**Chelsea**  
Builder's Arms  
Chelsea Ram  
Cooper's Arms  
Hollywood Arms  
King's Arms  
Phoenix  
Surprise

**Battersea**  
Duke of Cambridge  
Nine Elms Tavern  
Northcote  
Plough  
Prince Albert

**Staines**  
Bells **T**

**Kingston**  
Albert  
Bishop  
Grey Horse **T**  
Spring Grove

**Roehampton**  
Angel **T**  
King's Head

**Putney**  
Boathouse  
Coat and Badge  
Duke's Head  
Green Man  
Half Moon  
Spotted Horse

**Wandsworth**  
Alma **H**  
Crane **T**  
Brewers Inn **H**  
County Arms  
East Hill  
Gardeners' **T**  
King's Arms  
Grapes **T**  
Old Sergeant **T**  
Pig & Whistle **T**  
Queen Adelaide  
Ship  
Spread Eagle **T**  
Waterfront

**Clapham**  
Clapham North **T**  
Windmill **H**

**Balham**  
Devonshire  
Grove  
Nightingale

**Walton-on-Thames**  
Royal George **T**  
Swan

**Surbiton**  
Black Lion **T**  
Victoria  
Waggon & Horses **T**

**Chertsey**  
Crown Hotel **H**  
Bridge **H**

**Esher**  
Bear Inn **H**

**Weybridge**  
Hand & Spear **H**

**Claygate**  
Foley **H**

**Bracknell**  
Bull

**Oxshott**  
Bear

**Epsom**  
Rising Sun **T**

**Earlsfield**  
Halfway House  
Leather Bottle

**Walton-on-the-Hill**  
Chequers

**Sutton**  
Lord Nelson **T**  
Robin Hood **T**

**Clapham**  
Clapham North **T**  
Windmill **H**

**Tooting**  
Castle  
Trafalgar Arms

**Carshalton**  
Greyhound **H**

## Southern England

**Appledore**  
Seagate Hotel **H**  
Boathouse

**Exeter**  
City Gate **H**  
Double Locks

**Exmouth**  
Grove

**Sidmouth**  
Swan **T**

**Burnham-on-Sea**  
Dunstan House Inn **H**

**Congresbury**  
Old Inn **T**

**Somerton**  
Unicorn **T**

**Wrington**  
Plough Inn **T**

**Littleton-on-Severn**  
White Hart

**Bristol**  
Bristol Ram **T**  
Highbury Vaults  
Horts  
Rope Walk **T**  
Riverstation

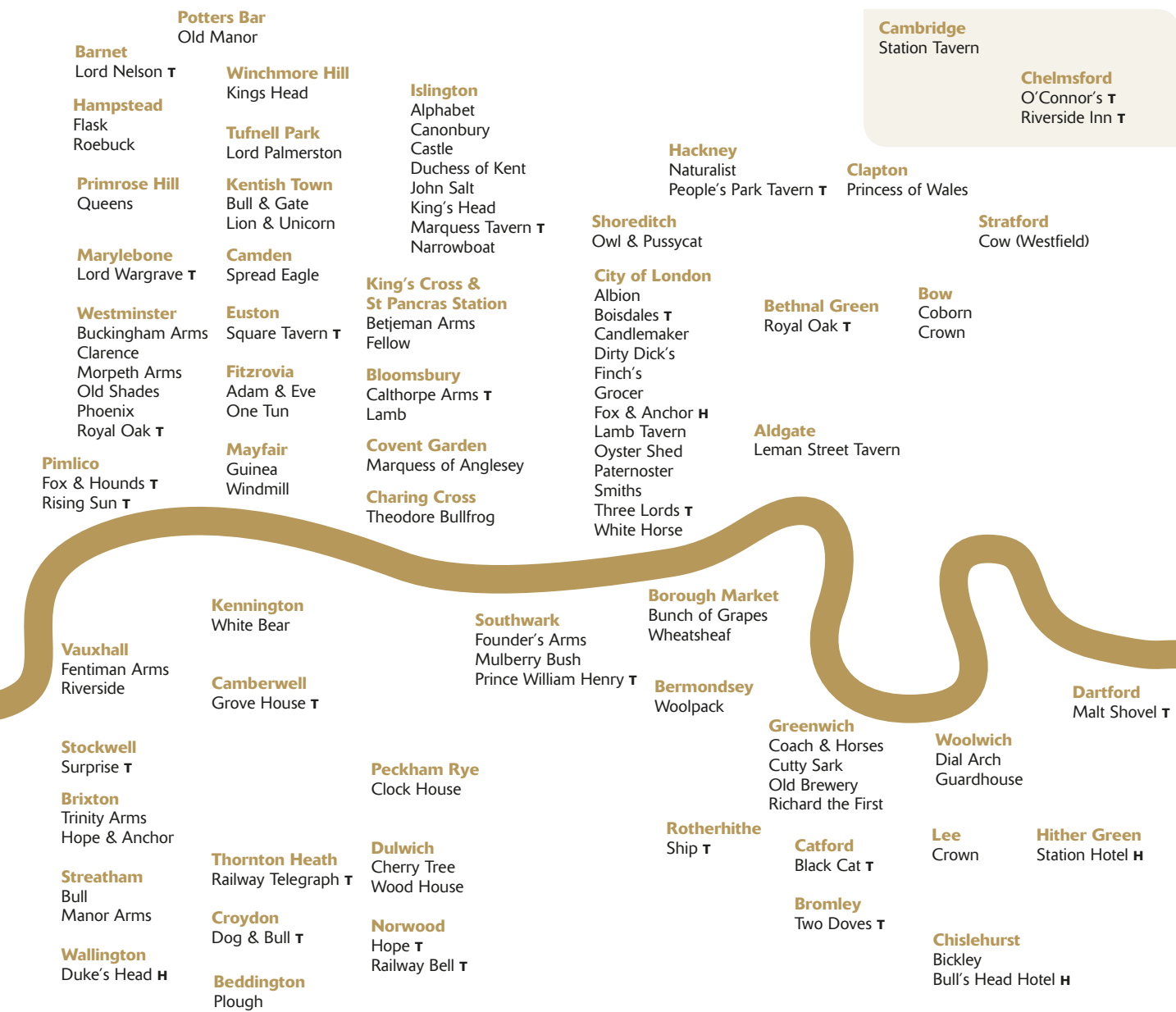
**Hanham**  
Chequers Inn

**Sherston**  
Rattlebone **T**

**Keynsham**  
Lock Keeper

**Castle Cary**  
Horse Pond **T**





**Key**  
 Young's managed house unless marked  
 Tenanted T  
 Hotel H



## Senior personnel, committees, advisers and others

### Directors

Stephen Goodyear  
 Non-executive Chairman

Patrick Dardis  
 Chief Executive

Torquil Sligo-Young  
 Information Resources

Tracy Dodd  
 People

Roger Lambert  
 Non-executive and Senior Independent

Trish Corzine  
 Non-executive

Nick Miller  
 Non-executive

Ian McHoul  
 Non-executive

### Company Secretary

Anthony Schroeder

### Audit committee

Roger Lambert (Chairman)  
 Stephen Goodyear  
 Trish Corzine  
 Nick Miller  
 Ian McHoul

### Remuneration committee

Nick Miller (Chairman)  
 Roger Lambert  
 Trish Corzine

### Banks

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

Barclays Bank plc  
 1 Churchill Place  
 London E14 5HP

HSBC Bank plc  
 8 Canada Square  
 London E14 5HQ

### Auditor

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

### Nominated adviser

J.P. Morgan Securities plc  
 25 Bank Street  
 Canary Wharf  
 London E14 5JP

### Stockbrokers

J.P. Morgan Securities plc  
 25 Bank Street  
 Canary Wharf  
 London E14 5JP

Panmure Gordon (UK) Ltd  
 One New Change  
 London EC4M 9AF

### Solicitors

Slaughter and May  
 One Bunhill Row  
 London EC1Y 8YY

Gowling WLG (UK) LLP  
 Two Snowhill  
 Birmingham  
 B4 6WR

## Shareholder information

### Registrar

The company's registrar is Computershare Investor Services PLC. They can be contacted at The Pavilions, Bridgwater Road, Bristol BS99 6ZZ. Their telephone no. is 0370 707 1420.

### Queries

If a shareholder has any questions about their shareholding or if they 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 (see above). All requests to amend account details must be made in writing.

### Shareholding management and receiving certain documents and information via email

Shareholders can manage their shareholding online at [www.investorcentre.co.uk](http://www.investorcentre.co.uk). If they would like to receive certain documents and information from the company via email, they should read the company's November 2018 letter to shareholders and then set up or update their profile online at [www.investorcentre.co.uk](http://www.investorcentre.co.uk). Shareholders may change their email

address at any time and can also, via the online portal, revert to receiving hard copy documents and information. The letter can be found at <https://www.youngs.co.uk/youngs/uploads/sites/2/2018/11/20181123-request-letter-for-electronic-communications-tfw-version.pdf>

### 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

### Further information

Please visit:  
[www.youngs.co.uk](http://www.youngs.co.uk)

### Proposed financial diary 2019

6 June 2019  
 Ex-dividend date for final dividend

7 June 2019  
 Record date for final dividend

9 July 2019  
 Annual general meeting

11 July 2019  
 Payment of final dividend

14 November 2019  
 Interim results announcement

21 November 2019  
 Ex-dividend date for interim dividend

22 November 2019  
 Record date for interim dividend

6 December 2019  
 Payment of interim dividend



Adam and Eve Albert Albion Alexander Pope Alexandra Alma  
Hotel Betjeman Arms Bickley Bishop Blue Boar Boathouse Bre  
Arms Builders Arms Bull Bull and Gate Bulls Head Bunch of C  
Ram Chequers Cherry Tree City Gate Clarence Clockhouse C  
Arms County Arms Cow Crooked Billet Crown Crown and An  
Devonshire Dial Arch Dirty Dicks Dog and Fox Dolphin Double L  
of Wellington Duke on the Green Duke's Head Dunstan Hous  
Foley Founder's Arms Fox and Anchor Grange Green Man Gro  
House Hammersmith Ram Hand and Spear Hand in Hand Ha  
lope and Anchor Horts John Salt Kings Arms Kings Head King  
Leman Street Tavern Lion and Unicorn Lock Keeper Lockh  
Anglesey Mitre Morpeth Arms Mulberry Bush Narrowboat N  
Brewery Old Manor Old Shades Old Ship One Tun Orange Ti  
Black Phoenix Plantation Plough Porchester Prince Albert Princ  
Lion Richard the First Riverside Riverstation Roebuck Rose a  
Spotted Horse Spread Eagle Spring Grove Station Hotel Static  
Arms Victoria Village Inn Waterfront Waterside Waverley Weys  
Windmill Wood House Woolpack Worplesdon Place Abercorn  
Calthorpe Arms Castle Clapham North Crane Dog & Bull Falkla  
Arms Grapes Grey Horse Greyhound Grove House Heartbre  
Wargrave Malt Shovel Marquess Tavern New Inn O'Connors  
Whistle Plough Inn Prince William Henry Queens Arms Railw  
Riverside Inn Robin Hood Rope Walk Rose & Crown Royal Geo  
Sussex Brewery Swan Inn Thatched House Three Lords Two Dov

Young & Co.'s Brewery, P.L.C.

Riverside House, 26 Osiers Road, Wandsworth, London SW18 1NH

Telephone: 020 8875 7000 Fax: 020 8875 7100

[www.youngs.co.uk](http://www.youngs.co.uk)

Registered in England number 32762