A YEAR OF

FOCUSSED

INVESTMENT

Image removed

WEDNESDAY
A99UH99C
A15 22/07/2020 #133
COMPANIES HOUSE

Young's logo removed

Annual Report

for the 52 weeks ended 30 March 2020

Highlights

	2020 Post-IFRS 16	**2020** Pre-IFRS 16[1]	2019 Pre-IFRS 16	Change Pre-IFRS 16
Revenue (£m)	£311.6	£311.6	£303.7	+2.6%
Adjusted operating profit (£m)[2]	£46.5	£44.8	£48.5	-7.6%
Operating profit (£m)	£37.9	£36.2	£44.6	-18.8%
Adjusted profit before tax (£m)[2]	£37.7	£38.5	£43.4	-11.3%
Profit before tax (£m)	£29.1	£29.9	£39.5	-24.3%
Net cash generated from operations (£m)	£72.5	£64.7	£69.2	-6.5%
Adjusted basic earnings per share[2]	60.18p	62.22p	72.13p	-13.7%
Basic earnings per share	39.37p	41.41p	64.36p	-35.7%
Dividend per share (interim and recommended final)	10.57p	10.57p	20.78p	-49.1%
Net assets per share[3]	£12.05	£12.06	£12.12	-0.5%

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All of the results above are from continuing operations.

1 The 2020 results have been reported under IFRS 16 whereas the 2019 results have been reported under IAS 17, with no restatement, as permitted by the accounting standard. The 2020 pre-IFRS 16 results, which are provided for comparative purposes only, have been presented on a non-statutory illustrative basis, excluding the impact of IFRS 16. Refer to page 28 within the business and financial review for details.

2 Reference to an "adjusted" item means that item has been adjusted to exclude non-underlying costs of £8.6 million (2019: non-underlying costs of £3.9 million) (see notes 9 and 10).

3 Net assets per share are the group's net assets divided by the shares in issue at the period end.

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Welcome to Young's

Young's pubs and hotels are at the heart of our local communities in London and the south of England. With more than 200 establishments, our award winning design approach means excellence in ambience as well as service and location. From poetic pubs steeped in history to secret underground cocktail bars, the character and individuality of each of our premises gives them a unique feel.

Our pubs have style and soul, and the people who work with us have pride in our culture and passion for the work they do.

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Chairman's statement

+2.6%
Revenue

£64.7m
Cash generated

Image removed

I am very proud of the Young's performance in a year overshadowed by a unique combination of challenges ranging from the weather and Brexit, to train strikes and, most recently, the coronavirus pandemic.

The results demonstrate the continued strength of our strategy of operating a differentiated, premium and well-invested pub estate.

The coronavirus had a significant impact on our business right at the end of the period and sadly it will continue to do so in the coming financial year. Following the government's instruction on 20 March, we closed all our pubs that day, and then moved quickly to introduce measures that focussed on strengthening the liquidity of Young's to safeguard its future. We postponed all planned capital investment, furloughed the vast majority of our pub and support teams, and the board of directors took a temporary 20 per cent pay cut. We also accessed the Bank of England's Covid Corporate Financing Facility ("CCFF") and entered into new banking arrangements. These steps were designed to ensure we emerge from the current crisis having retained a strong balance sheet able to once again focus on delivering great hospitality to our customers, ensuring our pubs are the true heart of the community.

Despite the challenges, trading for the majority of the year was really encouraging, with total turnover for the period up 2.6% to £311.6 million (2019: £303.7 million). The estimated impact of the coronavirus on our March turnover was approximately £13.0 million, a reflection of the downturn in trade throughout March, culminating in the closure of our entire managed and tenanted estate for the final 10 days of the financial year.

We achieved an adjusted EBITDA for the period of £71.8 million (post-IFRS 16 reported adjusted EBITDA: £79.6 million) compared to £72.8 million in 2019. Margin pressures across the industry remain and have been well documented. Despite our hard work in combatting increases in our cost base, it was the sudden decline in trade and ultimate closure of our pubs that had the biggest impact on profits. Given the immediacy and timing so close to the year-end, we had limited scope to remove costs in line with reduced revenues.

Over the years, Young's has continued to invest through a combination of acquisitions and own-estate investment, made possible through excellent cash generation. This year was no different and we spent a total of £70.8 million. This included the acquisition of nine new sites, most notably an extraordinary collection of five of the finest managed house pubs in and around our south-west London heartland and the Surrey suburbs. Alongside them, we accelerated our planned investment in all 14 of the Redcomb sites bought in January last year, and we continued to invest in our existing estate including in some of our iconic locations such as the Dog & Fox in Wimbledon Village, where we have created a wonderful new function space and added a further 11 boutique bedrooms.

In light of the unprecedented challenges posed in recent months, we have strengthened our liquidity position, both on a long-term basis and also in the short-term, to provide additional support. Long-term, we refinanced the £50.0 million term loan that was due to expire in March 2021, with a new five-year facility that takes us to 2025. This facility also has two one-year extension options that could take it out to 2027. On a short-term basis, we issued £30.0 million in commercial paper under the CCFF last month and also now have the additional benefit of a new £20.0 million facility from NatWest. Excluding our overdraft, Young's now has in place £285.0 million of funds and committed facilities.

As part of our focus on prioritising cash conservation in light of our pubs being closed, the board concluded that it was not appropriate to recommend payment of a final dividend for the financial year just ended. Young's has always prided itself on paying its investors consistent and growing dividends through the years; however, these are extraordinary times and as such require tough decisions.

It has also been a year of change for the Young's board, with two new members, Mike Owen (Chief Financial Officer) and Simon Dodd (Chief Operating Officer), joining in September. I am delighted with how they have both embedded themselves seamlessly into the business, embracing the culture and values of Young's. The Young's board is well placed to provide the strong leadership and direction necessary to ensure we emerge from this current crisis ready to re-open the doors of our great pubs and welcome back our customers.

Stephen Goodyear
Chairman

3 June 2020

DEVELOPING OUR ESTATE

As custodians of many iconic pubs, we invest regularly in them to deliver a great experience for today's guests and to ensure we maintain our assets in a great shape for those of tomorrow.

From picture postcard pubs steeped in history to secret underground cocktail bars, the character and individuality of our pubs gives them a highly unique look and feel. Our creative designs look to maximise potential space, using responsibly sourced or reclaimed materials where possible.

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Young's at a glance

From ancient, oak-beamed village inns to east London underground cocktail bars, Young's has been running some of the country's best pubs for nearly 200 years. We've seen seven monarchs, 48 different Prime Ministers, two world wars and we're still going strong today.

Key facts

Image removed

1831
Established

£299.1m
Managed revenue

Chart removed

Image removed

5,145
Employees

276
Pubs

Charts removed

Image removed

20.3m
Pints sold

166.3k
Hotel room nights

Chart removed

This year's highlights

April

Vegecation
We reached out to our customers and local communities to share inspiration of our sustainable sourcing and provenance, encouraging them to grow with us this spring.

July

Acquisition of the White Bear
Entering Tunbridge Wells, an exciting new location for us, this premium freehold pub was transformed into a fashionable oasis, bringing the outside in through its unique secret garden.

August

Summer of Spritz
Celebrating the summer, we launched a range of refreshing serves with a splash of colour, perfect to enjoy on those long sunny days spent in our wonderful beer gardens.

September

Young's beer re-branding
We launched the new font designs for our much loved beers ahead of autumn, including the re-branded Young's Original. We also celebrated 188 years of Young's.

Since 1831, we've been running some of the best neighbourhood pubs, boutique hotels and city bars in London and the south of England. No two of our pubs are the same – they reflect the village vibes, suburb setting and city streets around them.

Locations

Map remove

October

Charity fundraising

Teams from our pubs and at Riverside House staged a range of events across the month, raising almost £50,000 for a variety of charities such as Mind and Great Ormond Street Hospital.

November

Food Made Good Awards

We were nominated for two awards celebrating our sustainable fish sourcing and local produce, whilst recognising us in the top 20 sustainable businesses in the headline category award.

January

Top 50 Gastropub awards

The Guinea (Mayfair) ranked an impressive 10th in this year's list of the nation's best gastropubs voted for by more than 400 pub owners, food critics and industry experts.

March

Major acquisition

A highlight to close out the year saw us add five fantastic pubs, all well located in our south-west London heartland. This group of pubs are a must see, so do pop along and pay them a visit.

Our latest acquisitions

These latest additions to the managed estate are a testament to our acquisition strategy and we continue to be open to the right opportunities where we believe our premium offer will flourish.

1. **The Depot**
   Kidbrooke Village
   A stylish and sophisticated pub in south-east London. During the last war the area was used by the RAF to store barrage balloons as part of London's defences against bombing raids.

2. **White Bear**
   Tunbridge Wells
   Situated right in the heart of the town, this beautiful pub also boasts a seduded walled garden complete with retractable roof and garden grill.

3. **Canbury Arms**
   Kingston upon Thames
   Fully refurbished in 2019, this pub has been at the centre of Kingston community life for many years.

4. **The Crown**
   St. Margaret's, Twickenham
   A wonderful community pub with Georgian and Victorian heritage. A home from home for England rugby fans.

5. **Grantley Arms**
   Wonersh
   Steeped in history, this stunning pub has been an active part of the village for nearly 500 years. Includes private dining space, the 'Old Bakery', and a lovely terrace for al fresco dining.

6. **Onslow Arms**
   West Clandon
   Located only a few miles from Guildford. Fantastic dining room and a large garden serving freshly prepared food, all day every day.

7. **Wheatsheaf**
   Esher
   This lovely 200 year old pub sits on the edge of the village green in the heart of the affluent Surrey suburb.

8. **Enderby House**
   Greenwich
   Constructed in 1846, this historic building will be completely restored and extended. The large first floor terrace will offer fantastic views out over the river Thames. *This pub is due to open in 2020.*

9. **Constitution**
   Camden
   Dating back to 1858, this traditional Victorian pub has a large elevated terrace overlooking Regent's Canal. *Currently closed, this pub is due to undergo major investment.*

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Chief Executive's review

£36.2m
Operating profit

Image removed

In recent years we have faced and overcome numerous challenges, but none more threatening than the coronavirus pandemic that has swept around the world in a matter of months.

Following the government's instruction in March, we, along with our colleagues in the sector, shut the doors to our pubs. The 10 days of closure and the gradual decline in trade that preceded it resulted in an estimated £13.0 million shortfall in revenue and a disproportionately negative impact on profits, estimated to be £7.7 million. We recognise the importance of this closure of pubs in helping stop the spread of the virus and protect our employees, customers and the wider community as a whole.

Investment drives growth

Our strategy is to operate premium, well-invested, individual managed houses. We grow by investing in our pubs, by carefully selected acquisitions and by nurturing, training and investing in our staff. Total group revenue for the period was encouragingly up 2.6% to £311.6 million, an increase of £7.9 million, supported by the acquisitions made in the previous year.

Like-for-like sales ended the period down on the previous year by 2.4%, reflecting the challenges faced. The British weather often played its part, starting with the tough comparatives of last year's exceptional early summer sunshine. Whilst temperatures improved through the later summer months, the remainder of the year was dominated by rain, with the wettest winter on record dampening people's spirits. In December, when our pubs should be at their busiest as festive celebrations are in full swing, trade was hampered by the month-long rail strikes in London, and the first winter election since 1923.

£70.8m
Cash investment

The losses that followed from the unprecedented closures in the final weeks were severe due to the limited opportunity for mitigating action. Operating profit dropped by £8.4 million to £36.2 million (post-IFRS 16 reported operating profit: £37.9 million). Once adjusted for non-underlying items, operating profit was £44.8 million (post-IFRS 16 reported adjusted operating profit: £46.5 million), down by £3.7 million, with an operating margin of 14.4%.

Amidst the tougher weeks of March, there was a significant boost with our purchase of five of the finest pubs in and around our south-west London heartland and the Surrey suburbs, bringing our period-end total pub count to 276 (2019: 269). These pubs are a real standout acquisition for us: they are expected to deliver sales and EBITDA above the average for our managed house estate. Their premium offer is a perfect fit for Young's and presents us with an opportunity to learn from their success. The Canbury Arms (Kingston upon Thames), Crown (St Margaret's, Twickenham), Grantley Arms (Wonersh), Onslow Arms (West Clandon) and the Wheatsheaf (Esher) are run with a focus on great food, a quality drinks offer and operational excellence from wonderful surroundings, and have easily made the transition into the Young's estate. Unfortunately, due to the coronavirus pandemic, we have not had the opportunity to trade them for a period of time but we remain excited for when they get the chance to open their doors again.

During the period, we added a further five pubs to our managed house division. In April 2019, we opened the Depot (Kidbrooke Village) through our ongoing partnership with Berkeley Homes. In mid-summer, we acquired the freehold of the White Bear (Tunbridge Wells): this was a unique opportunity to add a high turnover pub in an exciting new location for Young's. The New Inn (Ealing) was the latest pub to transfer from the Ram Pub Company, finally re-opening, albeit briefly, in early March following an extensive redevelopment. We also completed on two fantastic sites for our pipeline: Enderby House, a long-leasehold on the banks of the Thames in Greenwich, and the Constitution (Camden), a freehold sitting on Regent's Canal, nestled between the bustling nightlife of Camden Town and the regeneration of King's Cross. There were two managed house disposals in the period, as we exited the tied leases at the Builder's Arms (Chelsea), a pub with Enterprise Inns, and the Alphabet (Islington), a pub leased from Star Pubs & Bars. We also sold the Bristol Ram at the tail of our tenanted estate.

Within the existing estate, we have also made significant investment. In February, after 14 months on-site, we completed a multi-million-pound scheme at the Dog & Fox (Wimbledon Village) adding 11 new boutique hotel rooms and the Coach House, a dedicated and dynamic function space offering capacity for up to 300 people. With further additions to our hotel room numbers, total managed room stock now stands at 687 (2019: 668 rooms). Elsewhere, we have invested heavily in the Redcomb pubs, bringing them in line with the Young's estate

and unlocking their potential. The coronavirus shutdown has also impacted our investment plan, with a number of our pubs unable to show themselves following refurbishment this spring. There were also schemes on-site which we were forced to put on standby until we are out the other side of the lockdown; we look forward to completing these in the coming months.

Resilience

We believe that one of the keys to our success is our ability to recruit, train and retain the very best people in the industry, and this is now more important than ever. The decision to retain all our staff following the outbreak of the coronavirus crisis by placing the vast majority on furlough not only helped safeguard the cash flow of the business but also ensures we are in a strong position when we re-open our doors.

Our pubs proudly form vital places in their local communities, providing a place of sanctuary, whether that be somewhere to catch up with friends, meet for a family celebratory meal or relax with a quiet pint or two one sunny evening. During the recent uncertain and worrying times, it was great to see the individual acts of kindness across the estate, as our teams stepped up to help out the most vulnerable in their local communities, gifting food parcels to elderly neighbours, hospices and care homes, and delivering pre-prepared meals to NHS staff and other key workers.

Our main priority is the safety and well-being of our people, our customers and our suppliers at this difficult time. The initial impact of declining volumes and subsequent full closure of our pubs as the virus spread during March was evident on a daily basis. However, predicting the extent of the damage that the coronavirus will have on our business going forward is largely unknown. There is no experience of such a crisis, no clear indicators as to how long the pandemic or enforced shutdown will last and what, if any, will be the lasting effects on consumers. At times like this, our strong balance sheet, underpinned by our predominantly freehold and long leasehold estate (2020: 83%), and combined with relatively modest levels of debt, has never been so vital.

The speed at which our business was able to adapt was commendable, switching our working practices to enable greater home working, with all meetings held in a virtual environment. We have taken decisions that will have an immediate and direct impact on our ability to conserve cash in the short term. Our largest expense, our wage cost, has been minimised with the decision to furlough the majority of our employees, both in the pubs and at Riverside House, combined with the board of directors taking a temporary 20 per cent pay cut. Last month, we accessed £30.0 million of short-term financing from the Bank of England under the CCFF, have further strengthened our long-term capital position and replaced our existing covenant tests with a minimum available liquidity requirement until June 2021.

On behalf of the board and all my colleagues at Young's, I want to say a huge thank you and pay tribute to our wonderful NHS staff, in particular, and also to all the critical workers out there doing their very best to keep us safe and well.

Image removed

Outlook

One thing we can be sure of is that at some point the pandemic will pass. The fabulous weather we have experienced so far this spring has been a gentle reminder of the enormous opportunity our business has to bounce back once it's safe for the government's restrictions to be lifted. I am looking forward to all of our team reuniting, opening the doors to our great pubs and welcoming back our customers once we are through this.

Whilst the period of closure and any restrictions that may remain, are still unknown, there are many things to be excited by. The five new pubs acquired late in March traded for only a matter of days before they were forced to close; they offer an immediate boost to both revenue and bottom line profit, with no additional capital expenditure required. The significant investments we made last year in our existing estate will give us further growth potential as soon as we reopen our pubs – it was one of our most exciting and biggest investment years and I'm looking forward to seeing what our customers think. Optimistically, we are looking forward to continuing our consistent growth records of previous years but accept that it will take time for things to normalise.

We are grateful for the positive moves made by the Chancellor to ensure that great businesses like ours survive these particularly tough times. Through extending the job retention scheme until October he has given us a degree of certainty in uncertain times, whilst the support of the business rates holiday will be a welcome £14.5 million cost saving in the coming year.

We are confident with the steps we have taken to safeguard our business from the immediate threat of coronavirus. The board expects our pubs to have opened by 3 August and for trading in FY21 to be materially below average. We expect sales to return to more normalised levels in FY22 when this unprecedented period is at an end, and we remain confident in our proven strategy.

Patrick Dardis
Chief Executive

3 June 2020

Our strategy
How we grow

We grow through investing in our estate 11 12

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 rooftop bars; basements become cocktail bars and outdoor spaces turned into beautiful gardens with Burger Shacks.

We invest in hand-picked acquisitions 7 11

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.

We are a people business 7 11 12

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.

Our business model
How we create value

We run a predominantly freehold estate 7 11 12

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.

We focus on differentiated, premium, drink-led pubs 3 8

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 are greater suited.

Revenue mix 3 8 10

Our revenue mix is 65.7% drink, 29.6% food and 4.7% 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.

We run a small quality tenanted estate 3

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.

We use our combined buying power 4 8 13

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.

The risk links reference to Principal risks and uncertainties on pages 16 to 19.

OUR CULTURE AND VALUES

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Young's is one of the oldest pub companies and our authentic pubs have been around since 1831. We see our heritage as a foundation for our success.

At the centre of their community, our individual pubs offer a premium yet personal experience and are well-loved by our customers as much as by us. Our friendly, lively and excellent customer service is convivial hospitality at its best.

Key Performance Indicators

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 non-underlying 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 our managed and tenanted businesses.

Charts removed

Like-for-like revenue %

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

Charts removed

RevPAR £

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

Charts removed

Adjusted EBITDA £m

These are our pre-IFRS 16 earnings before interest, taxes, depreciation and amortisation adjusted to exclude any non-underlying items for the group. (See notes 9 and 10).

Charts removed

Adjusted profit before tax £m

This is our pre-IFRS 16 profit before tax on continuing operations only, adjusted to exclude any non-underlying items for the group. (See notes 9 and 10).

Charts removed

Adjusted earnings per share (p)

This is our pre-IFRS 16 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).

Charts removed

Gearing %

This is our net debt divided by our net assets shown on a pre-IFRS 16 basis (expressed as a percentage).

Charts removed

Interest cover (times)

This is our adjusted operating profit divided by our finance costs shown on a pre-IFRS 16 basis.

Charts removed

Recycling (tonnes)

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

Charts removed

UPGRADING OUR

TECHNOLOGY

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Our industry leading digital excellence helps us stay in tune with our customers' lifestyles.

Our optimised websites allow customers to find and book space at their favourite pub, whilst our social media channels improve our reach, search and connectivity. Once in a pub, handheld tablets help facilitate the speed of service and customer interaction.

Our On Tap app provides useful features for our customers, whether it's the ability to surprise and delight with treats, the electronic bar tab with a mobile pay solution or simply to find out what's on in their favourite Young's pub.

Images removed

A core characteristic of Young's success in recent years has been the consistent investment in our pubs for future growth.

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logo removed

1. Boathouse
Putney

A wonderful refurbishment creating a fresh and vibrant riverside pub.

logo removed

2. Grove
Exmouth

This improved warm cosy pub is perfectly complemented by a stunning sea-view garden.

logo removed

3. Dog & Fox
Wimbledon Village

Our multi-million pound project was completed in March, creating 11 new boutique hotel rooms and the 'Coach House' function space.

logo removed

4. New Inn
Ealing

Following an extensive refurbishment, the pub now offers a truly premium experience with a Chef's table and a fabulous garden.

logo removed

5. Green Man
Putney

The pub has had a complete makeover with a glass extension adding extra dining space.
The project is due to complete in the summer of 2020.

logo removed

6. City Gate
Exeter

We have added a further five boutique bedrooms to this popular hotel in the heart of the city.

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 24 starting on page 102.

		Risk/Uncertainty	Potential impact	Mitigation	Change in risk/ uncertainty
Major external event leading to widespread pub closures and/or a huge decline in demand	1.	An example of this is the spread of a disease – recent and current experience has shown the potential for something like this to have far-reaching and unexpected consequences for our business. As the coronavirus pandemic spread around the globe in 2019–20, some of these consequences became apparent and resulted in a very material and unforeseeable impact on our business.	This will depend on the nature of the event, its impact and reach and the reaction to it by the Government, consumers, business and others. For the actual impact on our business of the 2019-20 spread of the coronavirus, see elsewhere within this strategic report.	This will depend on the nature of the event, its impact and reach and the reaction to it by the Government, consumers, business and others. Examples of the risk/uncertainty that could flow from a major external event leading to widespread pub closures and/or a huge decline in demand, and therefore what we might possibly do to mitigate its effect, are set out below. For details on what we did in response to the 2019–20 spread of the coronavirus, see elsewhere within this strategic report.	●
	2.	Our revenue is derived from our managed and tenanted pub estate. All pubs were ordered to be closed by the Government on 20 March 2020. It is not known when they will be allowed to re-open and, once re-opened, what measures, if any, the Government may insist remain in place and for how long to help combat this pandemic. Such measures could include social-distancing restrictions designed to limit social interaction between people in order to reduce the transmission of the coronavirus.	Whilst the pubs are closed, we will derive no revenue from them or, in reality, from our tenants. If pubs re-open with measures in place, it is highly likely those measures will result in reduced revenue, resulting in lower than expected profits.	If our pubs re-open but with measures in place, we would respect those measures and adapt our ways of operating for the safety of our staff and customers. It is anticipated that this would see a slower build-up in trade until things reverted to normal, hopefully no more than a matter of months later. In the background, we would gear up our operations to get back to normal as soon as possible, assisted by a team able to respond on a day by day basis. Subject to that, we would look for our pubs to continue to be a hospitable and welcoming home from home and, where they can, play an important and wider role in the heart of the local community. See also 3.	●
Consumer-related	3.	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 those set out in 1, confidence in the economy, the weather, fears of terrorist activity and greater awareness of the potential adverse health consequences associated with alcohol) set against a choice of where to go and what to do.	A reduction in our revenue could result in lower profits.	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 (including vegan and vegetarian options) 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.	●

		Risk/Uncertainty	Potential impact	Mitigation	Change in risk/ uncertainty
Financial	4.	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 £8.72 (from £8.21) with effect from 1 April 2020 (for those aged 25 and over), 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 13.	A reduction in our revenue and/or an increase in our costs will have an increase in our costs will have an impact on our margins and could result in lower profits.	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. 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.	●
	5.	The pub industry is subject to a variety of taxes, including business taxes, duty on alcoholic drinks and business rates.	The introduction of new taxes and/or increases in the rates of existing taxes could result in lower profits.	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.	●
	6.	We operate a defined benefit 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.	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 could result in lower profits.	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.	●
	7.	Our financial structure involves bank borrowings and 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 12.	Our ability to trade as a going concern depends on us generating sufficient cash to meet these repayments.	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.	●

Principal risks and uncertainties continued

		Risk/Uncertainty	Potential impact	Mitigation	Change in risk/ uncertainty
Operations	8.	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 which could result in 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. Our offering provides an attractive showcase for food and drink suppliers – we therefore anticipate that new suppliers would be ready and willing to come on board relatively quickly should there be limited disruption of our food and drink supply chain. We regularly review our choice of suppliers.	●
	9.	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.	●
	10.	We are dependent on having the right people throughout our organisation: at all our pubs and hotels and also at Riverside House. See also 13.	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.	●
	11.	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 could 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.	●

		Risk/Uncertainty	Potential impact	Mitigation	Change in risk/ uncertainty
Regulation	12.	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 could 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	13.	The UK's decision to leave the European Union ("EU") has led to a heightened degree of uncertainty.	The introduction of trade barriers could make it costlier for the UK to do business with the EU 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. 29% 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 4 and 10.	●

Key to change in the risk/uncertainty level from the prior period

● Decrease ● No change ● Increase

SUPPORTING OUR PEOPLE

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Our people are, and always have been, our greatest asset. With this in our minds, we ensure that everything we do for our people centres around them.

From progression and building careers in hospitality, to caring for their physical, mental and financial well-being, everything we do helps to ensure we continue to be a people-focussed employer of choice. Celebrating diversity, we are committed to providing an authentic and honest workplace, and doing it with pride.

Corporate Social Responsibility

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

Our teams are our greatest asset, and we have always believed that how we nurture and develop them is crucial in delivering our people-focussed strategy. At 30 March 2020 we employed 5,145 (2019: 4,874) people and we see everyone's well-being as vitally important for them to enjoy and continue working with us.

Recognising the ever-increasing importance of mental health and well-being in the workplace, at the start of the year we held a mental health awareness day at Riverside House. Aimed at improving communication and raising awareness on the subject, it included a keynote address from well-known mental health advocates Neil Laybourn and Jonny Benjamin.

Alongside this, we extended our mental health first aider initiative, training a further 57 mental health first aid champions across our head office team and general managers. This gave our team of champions the necessary skills to provide support and advice to employees with mental health issues and to their line managers. A dedicated email address is available to employees to report concerns about others in the workplace, with all reported issues fully investigated, and advice or referral to external services provided. Further mental health training has been given to our head office employees and to those in our pubs, alongside a workshop held by the Licensed Trade Charity on the support they can offer to people in need.

Image removed

We are proud of the support package that is available to all our employees. For those in need of someone to talk to, we offer fully funded confidential, one-to-one counselling sessions with a qualified professional at no cost to the individual. Our employees also have access to a 24/7 free confidential telephone counselling service, offered by the Licensed Trade Charity.

Since October 2018, we have been partnered with Salary Finance to offer free support and advice to employees to help them live healthier, happier lives through the current and future financial decisions they make. Working with Salary Finance, we also assisted in the introduction of a financial support programme aimed at helping our staff get out of any financial difficulties they may find themselves in by offering access to their salary as it is earned and to affordable loans. Since the programme's launch, 17% of our employees have engaged with the Salary Finance team, with 57 eligible employees having successfully received support through the scheme offered.

Finally, the training and development of our teams is vital to our success. Our Management Academy, due to start its 9th cycle, plays an integral part in our recruitment strategy, providing the next generation of talented general managers, head chefs and support roles based at Riverside House. This year we are pleased that internal candidates filled 72% of our general manager vacancies, up from 64% last year. The government-recognised Young's apprenticeship scheme is an 18-month commitment focussing on progressing people through a recognised qualification that starts them on the Young's career pathway, through the kitchen, front of house or at Riverside House in a support function. More than 70% of our first-year chef academy graduates have achieved distinctions in their final assessments.

Corporate Social Responsibility continued

Image removed

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, now more than ever.

As the outbreak of the coronavirus began to spread, we introduced very clear guidelines on 'social-distancing' and upheld strict health and hygiene measures to protect our teams and our customers. Following the Government restrictions which forced our pubs to close, our teams took it upon themselves to do what they could to help vulnerable people, the NHS staff and other key workers in their communities.

Andy, the general manager at the Grove (Balham), and his team cooked off all their perishable foods following closure and delivered a range of meals to the London Ambulance team in Wimbledon, who have been busy supporting those on the front line. General manager Connal, with the team at the Duke's Head (Wallington), has also been busy in the kitchen. Working in connection with Sutton Community Farm, they have been producing meals for Age UK, supporting those at risk in their community, and for their local NHS workers. With the unprecedented demand for food banks, Daisy, the manager at the Marquess of Anglesey (Covent Garden), has been volunteering for North Paddington food bank where she and members of her team have helped support vulnerable and struggling households with daily food deliveries. These are just a few examples of the support provided by our teams across the estate and we are extremely proud of their contribution to their local communities.

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This was the second year for our co-ordinated charitable fundraising as teams from the pubs and Riverside House held local, individual and unique events raising money for a variety of good causes. Throughout the month of October, teams took on various challenges, including a group skydive, pub quizzes, walking a marathon 26-mile distance between pubs with the team from one area ambitiously visiting all Young's 200 managed houses in 24 hours. Supporting both local and national charities, we were delighted to equal the total from last year of almost £50,000. Charities selected included the Alzheimer's Society, Battersea Dogs & Cats Home, Breast Cancer Now, Great Ormond Street Hospital, Mind, Noah's Ark Children's Hospice and St George's Hospital. We look forward to beating the total raised this year.

Following recent upgrades to our IT equipment, we donated outdated surplus computer hardware, valued by SocialBox.biz at over £250,000, to a "laptops for the homeless" initiative. Run by a London-based social business venture, the surplus tablets wiped clean for future use will benefit homeless people, elderly and refugees in London and beyond housed in accommodation services. This donation has been particularly welcome during the current lockdown.

Our environment

We continue to work hard to improve the environment in which we operate. Last year we saw a slight improvement in our recycling, with an increase of 0.7% to 7,458 tonnes (2019: 7,403 tonnes) and we proudly continued to avoid sending waste to landfill.

We remain an active member of the Sustainable Restaurant Association, and this last year were awarded a best in class three-star rating. In recognition of our efforts to reduce, re-use and recycle, and celebrating the seasonal, local and responsible sourcing of our produce, we were nominated in two award categories: 'Celebrate Local and Seasonal' and 'Source Fish Responsibly'. Alongside these, Young's featured in the top 20 of sustainable businesses in the 'Food Made Good Business of the Year' category.

Playing our part in the battle to combat single use-plastics, we have now built on the withdrawal of plastic straws by introducing a bespoke recycling service for single-use plastic glasses. Trialled at five of our highest volume sites last year, we recycled over 2.2 tonnes of plastic glasses, equating to more than 5,000 individual glasses. Following a successful trial in February, this coming year we will make the move to re-usable Young's branded plastic glasses which are able to be washed on-site. There are further improvements we can make to our plastic usage and we continue to review this in conjunction with our suppliers.

Patrick Dardis
Chief Executive

3 June 2020

Business and financial review

Managed houses

The past 12 months have provided many highlights for our managed house division as trading was, for the most part, consistent and encouragingly ahead of last year. The acquisition of the Redcomb pubs in January last year has supported the growth achieved, with total managed revenue up by 3.0%, to £299.1 million. Unsurprisingly, the government's enforced closures late in March, and the preceding weeks' decline in sales as the coronavirus started to spread, had a significant impact, with like-for-like sales finishing down by 2.4% (2019: up by 5.1%).

Each year presents itself with fresh challenges as we look to continue our long-standing record of consistently growing profits in our managed house division; this was no different. Despite combating further external increases to our cost base, whether they were business rates, the rising national living wage or from elsewhere, it was the unexpected pub closures that had such a disproportionate impact on profits, especially given the timing so close to the year end. In total, managed adjusted operating profits were down by 5.0%, to £58.4 million (post-IFRS 16 reported adjusted operating profit: £59.9 million).

Our focussed approach of adding hand-picked acquisitions in great locations saw us add further to our managed estate, bringing the total house count to 207 pubs, including 30 hotels, an increase of six pubs over the year.

The standout purchase of five unique pubs in our heartland was a real highlight. Their premium food offers, high-class drinks menus and operational excellence are a perfect fit for Young's. These high turnover pubs will increase our 'batting average' and add further quality to our estate. It is a shame they were only open for a short while before the forced closure, but they will prove to be a great purchase in the coming years.

Elsewhere, it has been another period of extensive investment in the managed estate with a number of eye-catching development projects, an acceleration in our planned investment of the Redcomb pubs and, further maximising our hotel room opportunities, the addition of 19 rooms to our stock. The year culminated with the completion of the multi-million-pound scheme at the Dog & Fox hotel in Wimbledon Village.

Total drink sales were ahead of last year by 2.0%, but down on a like-for-like basis, by 2.6%. With the endless days of beautiful spring sunshine last year, it was always going to be a challenging start to this period, then made even harder by the cooler and more varied weather of the summer. The weather improved latterly in the summer months, leading to record sales over the August bank holiday, and the positives continued through September. As the weather turned in autumn, the rain seemed to dominate the skies for a sustained period and by the time we had reached Christmas it had achieved fame as the wettest winter on record. Last December will also be remembered for the first winter election since 1923 and a month when train strikes struck down London commuters, severely affecting peak trading. All of this came before the coronavirus pandemic spread, culminating in the shutdown of pubs in March and brutally impacting on sales growth comparatives this year.

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Rugby autumn international fixtures at Twickenham, which form an integral part of the sporting calendar in our heartland, were moved from November to this summer as part of the preparations for the rugby world cup. Held in Japan, the kick-off times for matches were not ideal due to the time difference, but breakfast audiences in our pubs grew with each round as England progressed all the way to the final. These early morning games proved popular for pints of Guinness, managing to offset the lost sales from the shift in autumn fixtures, with sales of the rugby famed stout ahead of last year by an impressive 11.7%.

Volumes of lager didn't fare as positively. They were competing against tough comparatives with last year's sales boosted by the sunshine start and an equally impressive performance from the men's England football team at their world cup. In this period, lager sales were down by 5.0%, with draught cider also down by 9.5%.

Ahead of autumn, we completed the rebranding of our much-loved Young's beers, including the renamed Young's Original; this extended to new livery on Young's dray lorries, further endorsing our famous brands throughout our heartland. This was not enough to halt the slide of cask ale sales; although cooler temperatures did help boost volumes through the summer months, sales ended down on last year by 4.9%.

Outside of draught lager, the top-selling product was Beavertown Neck Oil, demonstrating the ever-increasing popularity of premium brands to our customers, supported by continuing growth from the keg ale category, where sales were up 4.7%. Premiumisation also hasn't slowed within the wine and spirits categories. Despite the closures preventing gin from breaking more records, the premium priced serves of gin, the colourful selection of spritzers and our growing cocktail range remained attractive to customers. Resurgent rosé wine sales were ahead of last year by 1.7%; although popular through summer months, sales have established themselves throughout the year with the additional upsell opportunity of magnum bottles proving a hit with customers.

Business and financial review continued

+3.0%

Total managed sales

In total, food sales were up 5.1%, but down 1.7% on a like-for-like basis. Food sales, at the expense of drink, were the beneficiary of the cooler weather at the start of the year, with sales of Sunday roasts and classic pub dishes performing strongly. At Christmas, pubs looked to maximise the premium offer, serving our guests with stunning centrepieces where they were able to opt for whole roasted turkeys, geese and ribs of beef. It continues to be a challenging marketplace, never more so than now, but we remain confident in our food strategy.

We have an expert team of executive chefs who work tirelessly to ensure that British, seasonal and fresh produce are at the heart of every dish we serve. Our five Young's classics and the ultimate Sunday roasts remain at the core of our strategy. Outside of the classics, chefs have the flexibility to create individual menus and inspirational dishes that are unique to their business. We are proud of the recognition our pubs receive for their food, none more so than the Guinea (Mayfair) which was crowned 10th Best Gastropub in the UK. This traditional and historic pub has built a reputation as one of London's most acclaimed steakhouses, specialising in serving premium dry-aged British beef.

At Young's, it's not just our drink and food that delights our customers and attracts new ones, but much also comes down to the individuality of our pubs themselves. Last winter in Wandsworth, the 'Chronicles of the County Arms' opened its magical doors. Inspired by classic tales, customers were able to step through the 'wardrobe' into an outside trading area that had been creatively transformed into a snow-filled winter forest with frost-covered pine trees, snow-topped tables, woodland features and lanterns. Wrapped in faux fur blankets on the throne-style seating, they were able to enjoy seasonal winter cocktails, accompanied by a gooey cheese fondue, in an enchanted winter garden.

The growth from new hotels in the past two years has driven the rise in accommodation sales, up by 5.3% this year. Total room stock has increased by 107 rooms in this two-year period, both through acquisition and organically, maximising potential room capacity at existing properties, bringing the year-end total room stock to 687. This growth was unable to offset the lost sales from the lockdown in March; like-for-like room sales were down by 3.1%. Total occupancy rates were 70.5%, down by 2.4% pts on the previous year, and RevPar decreased by £2.21, or 3.6%, to £59.23.

The designated capital investment set aside each year for hotels has enabled us to raise more of our room stock to boutique standard, modernising bathrooms and installing air conditioning, to meet the long-term vision of our room quality. This year we have upgraded room standards at the Seagate hotel (Appledore), added new rooms at the established Bear (Esher) and City Gate (Exeter), and, following its acquisition last year, transformed the Canford Hotel, which sits on the cliffs on the south coast near the tourist hotspot of Sandbanks.

£58.4m

Managed adjusted operating profit

Investment

We were excited to have added further to our managed portfolio, in particular the acquisition of five fantastic premium businesses in March. The Canbury Arms (Kingston upon Thames), Crown (St Margarets in Twickenham), Grantley Arms (Wonersh), Onslow Arms (West Clandon) and the Wheatsheaf (Esher) are a perfect fit, well located in and around our existing managed estate.

Elsewhere, we made further major acquisitions, openings and transfers, all of which are unique in their own way. These include:

- the Depot, a new build in a recently opened development in the regeneration area of Kidbrooke in south east London, and another in the list of pubs opened in partnership with Berkeley Homes;
- the White Bear, a freehold purchase in an exciting new territory for Young's in the commuter hub of Tunbridge Wells;
- the New Inn (Ealing), capitalising on a further growth opportunity from within our Ram Pub Company by transferring it to our managed division; and
- the Constitution (Camden) and Enderby House (Greenwich), both of which add to our future pipeline and offer great potential for the coming years.

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

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"Each year presents itself with fresh challenges as we look to continue our long-standing record of consistently growing profits in our managed house division; this was no different."

Business and financial review continued

£66.8m

Managed house investment

During the course of the year, including acquisitions, we invested £66.9 million in our managed estate across a number of exciting schemes. After more than a year on-site at the Dog & Fox hotel, our new multi-use function suite, the 'Coach House', opened in January; an additional 11 bedrooms were completed later in March, bringing the total available hotel rooms to 28. Unfortunately, initial bookings have had to be postponed, including what was expected to be its record-breaking Wimbledon tennis fortnight. Once able to re-open after the lockdown, the pub will be ready to capitalise on this investment, eager to show itself to our returning customers.

Originally we had planned to invest in all of the Redcomb pubs over a three-year period; however, we chose to accelerate this and therefore brought forward investment in nine of the pubs during this year, spending a total of £2.7 million. As part of this plan, we have refurbished the Theodore Bullfrog (Charing Cross), including its first floor trading space, undertaken major schemes at the Bickley Arms (Chislehurst), Manor Arms (Streatham), Old Manor (Potters Bar) and the Worplesdon Place (Guildford), and have added two Burger Shacks.

As the country ground to a halt in March, so did the contractors at the Green Man (Putney) where we were part way through transforming the pub, creating additional internal dining covers to complement the expansive external trading area and garden. We will look to complete this project early in the new financial year once restrictions have been lifted.

Alongside these, we have targeted investment in our core estate, with major projects undertaken at the Adam & Eve (Fitzrovia), Duchess of Kent (Islington), Duke's Head (Wallington), Grove (Exmouth), Queen Adelaide (Wandsworth), Riverside (Vauxhall), Waterfront (Wandsworth) and the White Hart (Barnes).

Ram Pub Company

It has been a tough year for the Ram Pub Company, following the highly successful period last year with the good early summer weather and England's football world cup success which helped drive barrelage growth. On a like-for-like basis, revenue fell by 4.1%.

In total, revenue within the Ram Pub Company was down by 6.9% or £0.9 million, in part reflecting the net reduction in the number of pubs and the impact from reduced beer volumes at key periods of the year. As with our managed houses, all tenanted pubs were forced to close towards the end of March due to the coronavirus pandemic.

Total adjusted operating profit was £4.2 million, a decrease of £0.8 million (post-IFRS 16 reported adjusted operating profit: £4.3 million). This decline in profits is exaggerated somewhat due to an onerous lease adjustment of £0.3 million in the previous year.

£771.1m

Estate value

In April last year, we transferred the New Inn (Ealing) to our managed house division to maximise its potential further. Other transfer opportunities do exist within the Ram Pub Company and we will look to harvest these when the time is right for both us and our tenants.

Midway through the financial period we opened the Ram Inn (Wandsworth) on the corner of the old Ram Brewery site. This iconic pub, restored back to its former glory, features a traditional bar opening out onto the bustling high street and, on the first floor, an indoor garden equipped with two shuffle-board lanes. We also sold the Bristol Ram, a pub at the tail of the estate, for proceeds of £0.9 million.

As a result of the above movements, the Ram Pub Company ended the year with 69 pubs, down from 70 in the previous year.

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 have completed major developments at the Grapes (Wandsworth), Railway Telegraph (Thornton Heath), Rattlebone Inn (Sherston) and the Waterman's Arms (Richmond).

With the challenging end to the period resulting in closures across the estate in March, we were the first pub company to announce a three-month rent holiday for all our tenants, effective from 16 March 2020, as part of a support package to help them through this difficult period. For the majority of our tenants we have extended this for a further month, and we continue to monitor the ongoing situation.

Other key areas

Property

Our balance sheet strength is underpinned by our predominately freehold estate in many highly desirable locations. 230 of our 276 pubs are freehold or are long-leaseholds with peppercorn rents. Our total estate is now valued at £771.1 million (2019: £807.0 million) with a reduction in value of £56.4 million from last year following the adoption of IFRS 16, which has been reclassified to the right-of-use asset. We have continued to add value through acquisitions, primarily focussing on freehold assets, and major developments to improve our existing pub values.

Each year we revalue our pub estate to reflect current market values. This year we have had to take into account the exceptional circumstances resulting in all our pubs being forced to close following the outbreak of the coronavirus pandemic. Savills, an independent and leading commercial property adviser, has revalued all our freehold properties, supported 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 was key. It incorporates the impact of coronavirus through discounting pre-coronavirus property values by between 0% and 10%, which contains material uncertainty given the lack of comparable transactional activity since the onset of coronavirus and the uncertainty over future trade at the valuation date.

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 has a cash impact.

Prior to the outbreak of the coronavirus, the pub property market in London and the surrounding areas had remained strong. However, the market uncertainty arising from estate-wide closures and the significant impact on our trading levels and achieved profit resulted in a net downward revaluation movement of £14.6 million (2019: £25.2 million upward movement). This is comprised of a downward movement of £9.3 million (2019: £25.3 million upward movement) reflected in the revaluation reserve and a downward movement of £5.3 million (2019: £0.1 million downward movement) recognised as an adjusting item in the income statement.

Treasury

During the year we remained highly cash generative. Our operating cash flow was £64.7 million (post-IFRS 16 reported operating cash flow: £72.5 million) compared with £69.2 million in 2019, with our premium business and predominantly freehold estate performing strongly.

Total net debt has increased by £35.1 million to £198.7 million (post-IFRS 16 reported net debt: £280.4 million) as a result of significantly reduced trading in March and the investments made during the year, especially the purchase of six pubs, falling in the last quarter. This resulted in an increase in our net debt to adjusted EBITDA ratio, to 2.8 times (2019: 2.2 times), and in our gearing to 33.6% on a pre-IFRS 16 basis (2019: 27.6%).

Going concern

We have prepared our 2020 financial statements on a going concern basis for the reasons set out below.

With the group's strong balance sheet, supplemented by the actions below, the board of directors is confident that Young's has sufficient liquidity to handle a prolonged period of closure of its pubs.

As mentioned previously, it is not possible to predict the extent of the damage that the coronavirus will have on our business going forward. We have modelled a broad range of scenarios, with our base model assuming our pubs will not re-open before August and the business experiencing significant disruption throughout the remainder of the financial year.

Considering the impact that coronavirus may have on the business, we have moved forward on a number of areas, all underpinning the basis of our business modelling. The rate at which we use cash has been reduced significantly, achieved through a combination of postponing all planned capital investment and furloughing the vast majority of our pub and support teams, combined with the business rates holiday announced by the government. Forward-looking cash conservation measures such as the cancellation of the final period dividend for the year ended and limiting our operating expenses, are inherent in our business modelling.

We have strengthened both our short-term and long-term liquidity position. As regards the short-term, we have partially accessed the liquidity available to us under the HM Treasury and the Bank of England's CCFF, issuing commercial paper with a nominal value of £30.0 million and a maturity date of 13 May 2021. We have also entered into a new £20.0 million bilateral revolving credit facility with NatWest, we do not intend to draw on this facility but instead retain it as available liquidity to help us meet the liquidity test referred to below. This has a maturity date falling in May 2021 and we have the option early next year to request an extension of its maturity date by six months and can do the same again later next year. So far as the long-term is concerned, we have entered into a new £50.0 million syndicated facility with NatWest and HSBC split evenly between them. This has an original maturity date falling in May 2025; we have the option next year to request an extension of the maturity date by a further year and can do the same the following year. We have drawn down on this facility and repaid in full the March 2021 £50.0 million syndicated facility with the RBS and Barclays.

All our lending banks were supportive of us accessing additional liquidity and strengthening our balance sheet further. In addition, they have waived any technical 'cessation of business' breach of our banking facilities as a result of our pubs being closed due to the coronavirus pandemic, and our financial covenant tests at June, September and December this year and at March next year have now been replaced with an additional monthly liquidity test requiring us to retain available liquidity of £20.0 million through to and including June 2021. Given the uncertainty over both the timing of the government's lifting of pub closures and the extent of restrictions on the group's ability to trade, including social distancing measures, the compliance with banking covenants beyond 12 months from these financial statements is a material uncertainty. The group remains in regular dialogue with its lending banks and, should such a scenario arise, the group would expect to discuss potential remedies with its banks, including an extension of the covenant changes agreed already, well in advance of June 2021.

Equally, under the more severe scenario where pubs remain closed for longer or initial trade is weaker, we may need further access to the CCFF. The Bank of England's standard terms for the CCFF state that the Bank reserves the right, at its sole discretion, not to provide further funds under the CCFF. This could represent a material uncertainty that may cast doubt about the group's ability to continue as a going concern. However, HM Treasury and the Bank of England have publicly committed to keeping the CCFF open until at least March 2021. On this basis, the board of directors believe that liquidity under the CCFF would be available to the group should it be required (see note 1).

Business and financial review continued

As a result of the above, we have in place £285.0 million of funds and committed facilities from our lending banks, private placement lenders and under the CCFF. Our accessible liquidity is, however, effectively limited to £265.0 million. In addition to this, we have a £10.0 million overdraft with HSBC.

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 decreased by £0.4 million to £8.2 million. Compared with last year, the rate of inflation has decreased considerably from 3.3% to 2.8% which has heavily contributed to a decrease in total actuarial assumption of £9.3 million. However, this has been offset by a £10.0 million reduction in the return on schemes' assets. We have continued our commitment with another year of special contributions, totalling £1.2 million, and remain fully committed to ensuring the pension scheme is adequately funded.

Adjusting items

Excluding the £5.3 million net decrease in the property valuation of our estate, as mentioned previously, the majority of the £3.3 million adjusting items expenditure relates to property and investment activity following the acquisitions made in the period.

Direct acquisition costs associated with business combinations of £1.0 million have dropped slightly this year (2019: £1.2 million), largely due to the higher cost associated with the Redcomb purchase last period. Early lease termination costs were agreed at the point of completion with the tenants of the White Bear (Tunbridge Wells) and the Constitution (Camden) in order to capitalise on the opportunity these pubs present within our managed estate. There were additional compensation costs to terminate the lease agreements early at the New Inn (Ealing) which transferred from the Ram Pub Company last April, and an unlicensed property which could form part of a potential exciting new head office development at the rear of the Spread Eagle (Wandsworth). In total, tenant compensation cost in the year of £1.7 million has been included within adjusting items and expensed under IFRS.

The remaining £0.6 million of adjusting items relates to the loss on disposal of properties during the period. We exited two tied leases forming part of the managed business, the Builder's Arms (Chelsea), a pub with Enterprise Inns, and the Alphabet (Islington), a pub leased from Star Pubs & Bars, and we sold the Bristol Ram from the Ram Pub Company.

Tax

Our corporation tax charge for the year was £9.8 million, with an increase in our effective tax rate of 3.1% pts to 21.8%. This included £1.6 million relating to the re-measurement of our deferred tax liabilities as a result of the increase in the future substantively enacted tax rates from 17.0% to 19.0%.

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

IFRS 16

The 2020 results have been reported under IFRS 16. The 2019 comparatives have not been restated, as permitted by the accounting standard; for comparative purposes only, we have presented and commented on the 2020 results on a non-statutory illustrative basis to exclude the impact of IFRS 16. There was no impact on revenue.

Under IFRS 16, removing the rental charge from the income statement results in an increase to EBITDA. Therefore, reported group adjusted EBITDA at £79.6 million would have been £7.8 million higher than the illustrative pre-IFRS 16 £71.8 million. An additional depreciation charge of £6.1 million, largely driven by the right-of-use assets, results in a net increase to our reported adjusted operating profit of £1.7 million compared with pre-IFRS 16 illustrative adjusted operating profit of £44.8 million.

With a further £2.5 million interest charge under IFRS 16 in this year, our illustrative adjusted profit before tax of £38.5 million was £0.8 million higher than our reported adjusted profit before tax of £37.7 million.

The adoption of IFRS 16 has had the greatest impact on our managed houses division. Excluding this, the managed adjusted operating profit was £58.4 million, £1.5 million lower than reported profit. The remaining £0.2 million was equally split between unallocated and the Ram Pub Company.

Net assets increased by £0.4 million on adoption of IFRS 16. For further details on the balance sheet impact see note 2.

At the year-end, our debt level has risen by £116.8 million to £280.4 million largely due to the introduction of £81.7 million of lease liabilities onto the balance sheet. As a result, net debt to EBITDA increased to 3.5 times (2019: 2.2 times) and gearing increased to 47.5%.

Shareholder returns

Having started life in 1831, Young's is a long-standing business and we are determined to maintain 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.

Following the outbreak of the coronavirus and with our pubs being closed, the focus of the business has been to prioritise cash conservation. The board has therefore concluded that it is not appropriate to recommend payment of a final dividend for the most recent period.

Further, in view of the ongoing closure of our pubs, the expected lower levels of trade when they re-open and the terms of the new £20.0 million facility with NatWest, the Company will not be paying an interim dividend for the current financial year ending 29 March 2021. The board is very mindful of the importance of dividends to Young's shareholders and intends resuming dividend payments as soon as is practicable, but no decisions have been made about when that will be.

Our adjusted earnings per share now stand at 62.22 pence per share, down 13.7% (post-IFRS 16 reported adjusted earnings per share: 60.18 pence). On an unadjusted basis, earnings per share dropped to 39.37 pence.

Patrick Dardis
Chief Executive

3 June 2020

Section 172(1) statement

The following describes how the directors have had regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006 when acting in the way they considered, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. In line with guidance issued by the Financial Reporting Council, this statement concentrates on matters that are of strategic importance to the company. Where appropriate and to avoid duplication, the statement cross-refers to other sections within the annual report. It goes without saying that the coronavirus outbreak, the Government order that all pubs in the UK be closed and the eventual lockdown of the UK were all matters of great concern to the directors – an overview of the various actions and steps they took as a result is contained elsewhere in the annual report outside of this statement. This statement therefore almost exclusively concentrates on non-coronavirus related events and matters.

Principal stakeholder groups

The directors regard those listed below as the company's principal stakeholder groups.

Set out in relation to each such group is:

- Why the directors believed it was important to engage with that group (the **Why**?)
- The main methods the directors used to so engage and understand the issues to which they had to have regard (including those used by management) (the **How**?)
- Information on the effect of that regard on the company's decisions and strategies during the period (the **Outcomes and actions**)

Chart removed

Customers

Why?

The company's biggest source of revenue from contracts with customers is from its managed houses (95.8% of total company revenue), with this being derived from sales of drink (65.6% of managed house revenue), food (29.5%), room hire (0.2%) and the provision of accommodation (4.7%) – lower revenue could lead to lower profits. A consumer's decision to spend their money can be affected by a broad range of matters, all set against a background of an ever-increasing choice of where to go and what to do. See also principal risk/uncertainty 3 on page 16.

How?

See the *Engagement with suppliers, customers and others in a business relationship with the company* section within the directors' report, starting on page 59.

Outcomes and actions

See the *Engagement with suppliers, customers and others in a business relationship with the company* section within the directors' report, starting on page 59.

● Our people

Why?

The commitment, skills and experience of the people employed throughout the organisation (whether they are in the company's pubs and hotels or at Riverside House) are integral to the company's long-term success – amongst other things, all of them have a part to play in helping to continue to grow, and/or support, the company's business and in demonstrating the company's values on a daily basis. They are a most prized asset and staff retention is therefore crucial. In turn, it is important that the company is an 'employer of choice', provides an environment in which people are happy to work, supports the physical and mental well-being of its staff, and gives individuals the opportunity to develop. See also principal risk/uncertainty 10 on page 18.

How?

See the *Employees* section within the directors' report, starting on page 55.

Outcomes and actions

See the *Employees* section within the directors' report, starting on page 55.

Section 172(1) statement continued

○ Suppliers

Why?

The business relies, in the main, on a small number of suppliers to provide the company's pubs and hotels with food and drink. The range, availability and quality of the products sourced is fundamental to the company's reputation. To remain as a provider of a market-leading, competitive premium offering that new and existing customers would want to enjoy, it is important that the company partners with, and has good, strong and mutually beneficial business relationships with, the right suppliers. 80% of the company's spend is with 6% of its suppliers. See also principal risks/uncertainties 4 and 8 on pages 17 and 18.

How?

See the *Engagement with suppliers, customers and others in a business relationship with the company* section within the directors' report, starting on page 59.

Outcomes and actions

See the *Engagement with suppliers, customers and others in a business relationship with the company* section within the directors' report, starting on page 59.

○ Investors/lenders

Why?

Continued access to capital is of vital importance to the long-term success of the company's business. Via its engagement activities, the company strives to obtain investor/lender buy-in to the company's strategy (of how to grow the business) and the company's business model (setting out how value is created). The aim is to promote an investor/lender base that is interested in a long-term holding in/relationship with the company. See also principal risk/uncertainty 7 on page 17.

How?

See the *Shareholder Relations* section within the corporate governance report, on page 44, for information on the company's main methods of engagement with investors.
As regards the company's banks, the chief financial officer and, before him, the interim chief financial officer met regularly with them. Further, as required under the terms of the company's loan facilities, the company's lenders received quarterly covenant compliance certificates.

Outcomes and actions

The company's investors and lenders remained supportive of the company's strategy and business model. Aside from feedback on strategy and performance, the one specific matter raised by some investors was the disparity in the market price of the company's A shares vs. the company's non-voting shares – no action was taken on this as there has been a difference in the market price of these two share classes for many years. As regards the company's lenders, discussions between them and the company focussed on the company's material activities (including acquisitions and disposals) and its appetite to increase and/or hedge its borrowings. Particular discussions also took place with The Royal Bank of Scotland plc ("RBS") and HSBC UK Bank plc ("HSBC") as regards a possible change in provider of the company's £10 million overdraft facility – these resulted in HSBC providing that facility in place of RBS.

○ Trustees of the final salary pension scheme

Why?

The company operates a defined benefit pension scheme covering benefits payable to various current and former employees; the scheme was closed to new entrants in February 2003. The scheme is a key company financial commitment as it needs to be funded to meet agreed benefit payments and regulatory pension funding requirements. The scheme's trustee is Young's Pension Trustees Ltd, a corporate trustee. The company recognises that the trustee and the company each has a vital role to play in the proper running of the scheme and that regular, clear and open communication and, where necessary, consultation is important in helping maintain a good working relationship between the company and the trustee. The company is party to all scheme deeds, undertaking responsibilities under the scheme's trust deed and rules together with pension legislation and regulation, as required. See also principal risk/uncertainty 6 on page 17.

How?

During the period, the chief financial officer and, before him, the interim chief financial officer worked closely with the scheme's trustee. The chief financial officer attended meetings with the trustee and delivered presentations on the company's business, thus keeping the trustee informed of the company's financial position and of any plans that would change or impact upon the employer covenant supporting the scheme. In addition, the chief financial officer was invited to join scheme investment discussions. The chairman of the trustee is a director of the company and gave presentations to the company's board on various aspects of the scheme.

Outcomes and actions

Discussions primarily focussed on funding, investment and employer covenant considerations, ensuring an integrated approach to risk management. Strategic scheme initiatives, such as the approach to liability management and minimising volatility, were discussed - these saw the trustee continuing with a carefully managed strategy to reduce liabilities and underlying scheme risk, all against the background of the scheme's continuing maturity. The company was consulted on a revised statement of investment principles (reflecting, in part, new regulations on environmental, social and governance matters), which led to an updated statement being signed, and it was regularly updated on scheme funding, membership changes and other key details. Other legislative developments, such as the action to be taken as a result of the need for GMP equalisation (see note 26 on page 108), were progressed. In light of the coronavirus outbreak, the trustee withdrew its request for a discretionary increase, for the year starting 1 April 2020, on non-GMP pensions accrued before 6 April 1997. Overall, as a result of the company's engagement and proactive appropriate stewardship of the trustee, stable contributions continued to be paid to the scheme (as has been the case for many years) and the company benefited from funding savings resulting from liability management initiatives.

○ Ram Pub Company Tenants

Why?

The Ram Pub Company is the company's second biggest source of revenue after the company's managed houses (3.9% of total company revenue). It consists of pubs owned or leased by the company that are leased or sub-leased to third parties. Revenue is derived from rents payable by, and sales of drink made to, the tenants – lower revenue could lead to lower profits. Albeit the tenants run the pubs for their own account, they are nevertheless associated with Young's – their operations therefore reflect on the Young's name and reputation. The Ram Pub Company helps increase the company's buying power with suppliers, is cash generative and allows the company to acquire freehold pubs with tenants in situ pending their transfer to the managed estate when the time is right for the tenant to leave and for the company to take over.

How?

During the period, the main method of engagement with the tenants (as a body) was through the 'Annual Round-Up', a yearly forum led by the company which enables the company and its tenants to share views and best practice. On an individual basis, the main method of engagement with the tenants was through periodic business reviews. Outside of this, the company maintained a regular and ongoing dialogue with its tenants.

Outcomes and actions

A key discussion topic with the tenants was the sustainability of their businesses – some of these discussions resulted in a reduction in the rent payable by the tenants. In other instances, the decision was taken to exit from the pub: this resulted in the sale of the Bristol Ram (Bristol), the exercise of a break clause in the company's lease of the Black Cat (Catford) and the non-renewal of the expiring lease of the Greyhound (Hendon). As a result of feedback and input received from various tenants, the following also occurred during the period: changes were made to the drink portfolios available in some of the pubs, 'drink delivery windows' for some of the pubs were rescheduled so as to accommodate better the needs of the tenant, previously unplanned refurbishment projects took place, changes were made to the scope and timing of certain pre-agreed refurbishment projects and an updated website was launched providing tenants with increased functionality and a better and more-engaging experience. In most instances, a portion of the company's capital outlay on the refurbishment projects undertaken resulted in an increased rental payment from the tenant.

Principal decisions

For the purposes of this statement, the directors regard their principal decisions as not only those that are material to the group, but also those that are significant to any of the company's principal stakeholder groups – see above. Subject to the qualification appearing at the start of this statement as regards the coronavirus and its implications, set out below are the principal decisions made by the directors during the period. Implicit in making these was the desirability to maintain a reputation for high standards of business conduct and the need to act fairly as between members of the company.

Consequences of the coronavirus

An overview of the various actions and steps taken by the company in light of the coronavirus and the Government's decision to order the closure of all pubs in the UK is set out elsewhere in the annual report.

Payment of a final dividend in respect of FY2018/19, payment of an interim dividend in respect of FY2019/20 and decision not to recommend payment of a final dividend in respect of FY2019/20

Paying dividends is an important priority for the board: it helps demonstrate the company's continuing ability to create and deliver long-term value for its shareholders. The board was particularly proud that the company had been able to increase its final and interim dividend in each of the last 22 years – this would have continued for FY2019/20 but for the impact of the coronavirus which has resulted in the closure of all the company's pubs and therefore the complete cessation of any trading income from them. The board has consequently decided to focus on prioritising cash conservation and therefore not to recommend the payment of a final dividend for the company's financial year ended on 30 March 2020. The company has a vision document through to and including FY2024/25 that states the company's current and future

Section 172(1) statement continued

objectives and serves as a guide for actions taken now and in the future. That document, which will be reviewed in light of the coronavirus outbreak, indicated that the group's approach to dividend payments was able to be met alongside the company meeting its obligations to its lenders, pensioners and staff as well as making the investments needed to continue to grow the business. Following a board recommendation and shareholder approval of the same at the company's AGM, a final dividend of 10.81p per share was paid to shareholders in July (at a total cost of £5.3 million) – this was followed, in December, by payment of an interim dividend of 10.57p per share (at a further total cost of £5.2 million). These payments were anticipated in the revenue and capital budget for FY2019/20 approved by the board in March 2019 and were in line with the FY2024/25 vision document. Funds to pay these dividends were from the group's free cash flow; the final dividend was covered 3.5x by adjusted earnings per share.

Approval of capital and revenue budget for FY2020/21

The revenue and capital budget for FY2020/21 was approved by the board in March – this was done prior to the Government ordering all pubs in the UK to close as part of a package of measures designed to assist in the fight against the spread of the coronavirus and the UK being put into lockdown. In approving the budget, the board acknowledged that the business was in uncertain times and that the budget would be impacted by, amongst other things, a significant reduction in consumer spend and the actions being, and to be, taken by the company in light of the coronavirus. Subject to that and the overriding need to ensure that the company weathers the situation, but in the expectation that business will eventually return to 'normal', the board believed that the company's premium offering would remain attractive to existing customers and act as a draw to new ones, the company's business model would allow the company to continue to invest in its people and pay them appropriately and that capital would continue to be available to enable hand-picked complementary acquisitions to be made. The company's plans, underpinned by the budget, are demanding but will position the company well against its longer term value creation vision whilst honouring its commitments to its stakeholders.

Appointments of Mike Owen and Simon Dodd and continuation in office of Stephen Goodyear and Nick Miller

In September, Mike Owen and Simon Dodd joined the board: the former as chief financial officer, the latter as chief operating officer. Due to the individual's calibre, knowledge and experience, these appointments were made with an eye on the long term and they provided additional full-time leadership benefitting not just their direct reports and teams but a much wider section of the company's people due to their influence and involvement in the business. In January, the board agreed to extend the terms of office of both Stephen Goodyear and Nick Miller through to April 2023. In deciding to do this, the board determined that they were independent in character and judgement, made an effective and valuable contribution to the board, demonstrated commitment to their roles (in Stephen Goodyear's case, as non-executive chairman and as a member of the audit committee, and, in Nick Miller's case, as a non-executive director, chairman of the remuneration committee and as a member of the audit committee), and were able to give sufficient time to Young's. As a result, the board felt that it was well-balanced and had an appropriate number of members, with the right experience, knowledge, standards, skills and personal qualities and capabilities, for the company, its reputation and long-term strategy.

Acquisitions of new managed houses

During the period, the company acquired the following pubs as part of the company's managed house estate: the Canbury Arms (Kingston) (freehold), Constitution (Camden) (freehold), Crown (Twickenham) (freehold), Grantley Arms (Wonersh) (freehold), Onslow Arms (West Clandon) (leasehold), Wheatsheaf (Esher) (leasehold) and the White Bear (Tunbridge Wells) (freehold). Details of the consideration paid and the associated costs incurred are set out in note 13 starting on page 93. The acquisitions were made to support the company's value-creation acquisition strategy: right opportunities in existing or exciting new locations where the board believes the company's premium offering will flourish. The purchases were financed through the company's existing bank facilities.

Disposal of the Bristol Ram (Bristol), exit from the Black Cat (Catford) and non-renewal of the lease of the Greyhound (Hendon)

During the period, the company sold the Bristol Ram (Bristol) (for £855,000). It also chose to exercise its right to end its lease of the Black Cat (Catford) and not to renew its expiring lease at the Greyhound (Hendon). All these pubs were tenancies, falling within the Ram Pub Co, and the company's 'exit' from these businesses had no impact on the company's people. The board felt that the challenges facing these businesses meant that their sustainability was in question. As such, an 'exit' was considered the appropriate approach and consistent with the company's strategy. The Bristol Ram was sold for £76,000 below its net book value – see note 9 on page 90.

Our 2020 Strategic Report, from pages 1 to 32, was approved by the board on 3 June 2020 and it was signed on behalf of the board by:

Patrick Dardis
Chief Executive

3 June 2020

CORPORATE GOVERNANCE

Corporate Governance

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Image removed

Chairman's corporate governance statement

Image removed

Stephen Goodyear
Chairman

The vital importance of not only what we do but how we do it is well understood, perhaps never more so than in the face of the extraordinary and unprecedented crisis that engulfed our business and country following the coronavirus outbreak: in all our decisions, we aim to do the right thing in the right way at the right time. This approach and culture is underpinned by our corporate governance model which seeks to ensure that good governance standards are embraced throughout our business, particularly in extreme times.

The effective leadership of the board and the fostering of a good corporate governance culture remains a key responsibility of mine as chairman. 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. Our governance model was tested to its limits in light of the coronavirus pandemic but stood up to it – the actions and steps we took are explained in my chairman's statement (on page 2 and in the strategic report (starting on page 1).

In July 2018, we chose to apply The QCA Corporate Governance Code (2018 edition). This continues to be a code that we proactively embrace and provides the right governance framework for us: a flexible but rigorous outcome-oriented environment in which we can continue to develop, as needed, our governance model to support our business. I am pleased to report that the ten broad principles around which the QCA Code has been constructed are effectively embedded in our governance model, our ways of working and our behaviours.

I was delighted that, in September and following an extensive search, Mike Owen joined the board as the company's new chief financial officer. With over 10 years' experience in the drinks and pub sector, Mike has an intimate knowledge of the industry. Following his arrival, we immediately saw the fresh perspective he brought to the company's finance function as we continued to develop our market-leading premium operation, and he has since played a vital part in helping us face up to the closure of our pubs following the industry-wide order by the Government in March. He is an experienced CFO: he was the group finance and IT director at Hall & Woodhouse, a family owned pub group and brewer, since 2016; before that he spent eight years at SABMiller, initially as the finance director at Miller Brands and then as the Head of European and then Global Deployment in the Global Business Services division.

Simon Dodd also joined the board in September, in the newly created role of chief operating officer. Simon brought with him a wealth of experience, having spent more than a decade working in the pub and brewing sector. Most recently, he was a director of Fuller's and managing director of their beer company, having previously been operations director of their premium city pubs division. Prior to joining Fuller's, Simon was at the Orchid Pub Company where he held the role of chief operating officer following his promotion from the position of commercial director. I was particularly pleased that we were able to attract someone of Simon's calibre and experience to take on this new role. In the quite unbelievable position that the industry and the country has since found itself in, the extensive experience, knowledge and relevant skills that Simon has built up over his career helped make a significant and positive difference to Young's as we faced up to the crisis in hand.

In terms of other director-level personnel changes or moves, I can also report that:

- in September last year, Ian McHoul took over from Roger Lambert as chairman of the audit committee, a role that Roger had ably performed since July 2015;
- in January this year, the board agreed to extend the terms of office for both me and Nick Miller through to April 2023 – in deciding to do this, the board determined that we were independent in character and judgement, made an effective and valuable contribution to the board, demonstrated

- commitment to our roles (in my case, as non-executive chairman and as a member of the audit committee, and, in Nick's case, as a non-executive director, chairman of the remuneration committee and as a member of the audit committee), and were able to give sufficient time to Young's; and
- in April this year, after the end of the period, the board decided to ask Roger Lambert to stay on, for now, for an additional one year period, thus extending his period of office through to the end of July next year – in view of the challenges facing the company in light of the coronavirus, it was felt important to retain on the board the additional strength, balance, financial acumen and capital markets experience that Roger provides.

As one would expect, the board had 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 10. It was against this background, and a mission statement of "delighting our customers with stylish pubs and hotels", that the board made decisions and managed risk throughout almost all of the year. The focus had to change post the coronavirus outbreak and the Government's closure order of all pubs across the UK – preservation became paramount.

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 received 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 team member's time with us.

Clear statements of behaviour are also issued by the board. An anti-bribery statement is on our corporate website and our team members 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 our employees 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 widely known.

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.

We firmly believe that by encouraging the right way of thinking and behaving across all our people, our corporate governance culture is reinforced. This enables us to conduct business sustainably and responsibly, and, absent the extraordinary times we currently find ourselves in, allows us to 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 programme 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 was therefore regularly seen out and about engaging with our team members, customers and others, and the executive team, in particular, communicated regularly with the teams in the pubs and at Riverside House 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 was supported by more formal processes – we encouraged customer feedback (both directly to the pubs and via online booking review platforms) and there were also staff appraisals. Together, these provided invaluable insight into how we were seen to behave and lead the board to believe that the group had a healthy corporate culture throughout the business. Set out in the strategic report, starting on page 1, are just some examples of the things we have done during the year, not just in the face of the current crisis, and make me so proud to be chairman of this great company.

Further details on our corporate governance arrangements (reflecting the broad principles in the QCA Code and their application) appear in the following pages and on our corporate website. Overall, I very much feel that the essence of the QCA Code is fully reflected and observed in our business, and a regular review by me with our company secretary will ensure that this remains the case in the years to come.

To finish, I remain ever aware of the importance of ensuring that we regularly engage with you, our shareholders. On page 44 we've set out what we do in this regard; the AGM is ordinarily a key part of this. Regretfully, this year, in light of the Covid-19 situation, the AGM will be held as a closed meeting. We are committed to protecting the health and well-being of our shareholders and of the general public and therefore, in line with the UK Government Stay At Home Measures, shareholders will not be permitted entry to the AGM. Attendance will be strictly restricted to specified individuals to ensure that the meeting is quorate to conduct the necessary business. I would ask that our A shareholders vote on the business of the AGM in advance by filling in the proxy form accompanying this annual report. Should circumstances change before the AGM such that A shareholders are able to attend, we will update shareholders accordingly.

Stephen Goodyear
Chairman

3 June 2020

Board of Directors

1. 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.

2. 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)

Images removed

3. Mike Owen
Chief Financial Officer

(E) (D)

Commenced role
September 2019

Skills and experience
Mike has overall stewardship of the group's finance and procurement functions, including strategy, forecasting, reporting, tax, treasury and risk management. He has a strong passion for the industry having previously been group finance and IT director at Hall & Woodhouse Ltd (2016-2019), head of European and then Global Deployment in the Global Business Services division of SAB Miller PLC (2014-2016) and finance and IT director at Miller Brands (UK&I) Ltd (2008-2014). With an open and energetic leadership style, coupled with an engaging personality, he has made a very positive contribution to the team ethos within the finance dept. The additional full-time leadership provided by him has benefitted not just his direct reports and team but a much wider section of the company's people due to his influence and involvement in the business. Mike is a qualified accountant.

Committee Membership
(A) Audit committee
(R) Remuneration committee
(E) Executive committee
(D) Disclosure committee
( ) Chair of committee

4. Simon Dodd
Chief Operating Officer

(E) (D)

Commenced role
September 2019

Skills and experience
Simon has responsibility for the group's managed house operations and for marketing and food. Having spent more than a decade working in the pub and brewing sector, he has a wealth of experience. Before starting at Young's, Simon was a director at Fuller's and managing director of their beer company (2016-2019) - previously, he was the operations director of their premium city pubs division (2015-2016). Prior to joining Fuller's, Simon was at the Orchid Pub Company where he was the chief operating officer (2013-2014) following his promotion from the position of commercial director (2006-2013). He is the company's UKHospitality representative. With his experience, knowledge and retail and marketing background, Simon is making a positive contribution to the well-established Young's business; he combines this with good analytical and people skills and a cheery manner.

Other relevant external appointments
The company's UKHospitality representative

5. 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

Images removed

6. 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)

7. Roger Lambert
Non-Executive and Senior Independent

(A)(R)

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

Skills and experience
Roger left the City in May 2020 after 40 years in banking, most recently with Peel Hunt but previously with Canaccord Genuity (2010-16) and J.P. Morgan Cazenove (1982-2008). After two years working for Chemical Bank in New York, he started his career in London in 1982 as an analyst covering the brewing, leisure and hospitality sectors before moving into corporate finance in 1985 where he has advised more than 25 companies in those sectors. Roger has a wealth of relevant expertise in capital markets and brewing, drinks and hospitality. He brings gravitas to the senior independent role and strength of personality and charisma to his non-executive position.

8. 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.

9. 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.

10. 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, including at Scottish & Newcastle plc and Inntrepreneur Pub Company Ltd (1985-2008). With his considerable experience in the brewing and pub sector and in strategic and financial matters, his contributions both in and outside of board meetings are insightful. He also brings financial astuteness to his chairmanship of the audit committee. 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

Corporate governance report

Leadership

Board composition

Details of those on the board, including their skills and experience, appear on pages 36 and 37.

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 mainly 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 45 to 50.	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 51 to 53.	Its primary function is to assist the company in making timely and accurate disclosure of information required to be disclosed in order to meet legal and regulatory obligations.
Chairman:	**Chairman:**	**Chairman:**	**Chairman:**
Chief executive	Ian McHoul*	Nick Miller	Chief financial officer
Other members:	**Other members:**	**Other members:**	**Other members:**
The other executive directors	Stephen Goodyear Roger Lambert* Trish Corzine Nick Miller	Roger Lambert Trish Corzine	The other executive directors

* Ian McHoul replaced Roger Lambert as chairman of the committee on 18 September 2019.

The terms of reference for the audit, remuneration and disclosure committees can be found in the investors section of 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 7 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 financial forecast, a report from the chief operating officer, 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 included:

- the group's long-term business plan and a re-affirming of the group's strategy and business model;
- the group's acquisition strategy and 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, members of staff are invited to attend board meetings to give presentations and/or 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.

Corporate governance report continued

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 *The role of the board and its committees* section on page 38 as well as those in the following table.

Category	Examples
Strategy and management	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.
Structure and capital	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.
Financial reporting and controls	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.
Contracts	Contracts in the ordinary course of business material strategically or by reason of size; contracts not in the ordinary course of business; major investments.
Communication	Approval of resolutions, circulars, prospectuses and press releases concerning matters decided by the board.
Board membership and other appointments	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.
Remuneration	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.
Delegation of authority	Division of responsibilities between the chairman and the chief executive; establishing board committees and approving their terms of reference.
Corporate governance	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.
Policies and procedures	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.

Directors and the company secretary

Roles and responsibilities

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

Chairman

Is responsible for:

- leading an effective board;
- fostering a good corporate governance culture; and
- ensuring appropriate strategic focus and direction.

Senior independent director

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.

Non-executive directors

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.

Chief executive

Has overall responsibility for:

- proposing the strategic focus to the board;
- implementing the strategy once approved; and
- managing the group's business.

Executive directors

All have particular roles and areas of responsibility – see pages 36 and 37. They are responsible for the day-to-day running of the business.

Company secretary

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	7	3	7
Stephen Goodyear	7	3	–
Patrick Dardis	7	–	–
Mike Owen*	5	–	–
Simon Dodd*	5	–	–
Torquil Sligo-Young	7	–	–
Tracy Dodd	7	–	–
Roger Lambert**	6	2	7
Trish Corzine	7	3	7
Nick Miller	7	3	7
Ian McHoul***	6	3	–

* Mike Owen and Simon Dodd both joined the board in September 2019 – they attended all board meetings they were eligible to attend.

** Roger Lambert was unable to attend one board and audit committee meeting due to a prior commitment.

*** Ian McHoul was unable to attend one board meeting due to medical reasons.

Corporate governance report continued

Independence

Based on its experience, the board asserts that all the non-executive directors act independently in character and judgement. It is accepted that only Trish Corzine, Nick Miller and Ian McHoul can be considered independent when judged against the UK Corporate Governance Code (July 2018). The board, however, considers Roger Lambert to be independent despite him having served on the board for more than 11 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. Having recently been the company's chief executive, Stephen Goodyear is not independent.

Balance and size

In view of the relevant experience, skills and personal qualities and capabilities that each director brings to the board (as summarised on pages 36 and 37), 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 (including most recently in relation to the appointments of Mike Owen and Simon Dodd) 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 believes 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 policies and procedures they need to comply with and he also provides them with an induction pack covering or containing a variety of matters, including:

- 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 dealing code, 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.

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 applies to Mike Owen and Simon Dodd at this year's AGM. Directors are then subject to a further re-appointment vote at every third AGM after that – this applies to Tracy Dodd and Nick Miller at this year's AGM. All 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 2023
Mike Owen	One year	Roger Lambert	31 July 2021
Simon Dodd	One year	Trish Corzine	11 January 2021
Torquil Sligo-Young	Six months	Nick Miller	3 April 2023
Tracy Dodd	One year	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 and 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. In March, Slaughter and May gave informal high level advice to the board (via the company secretary) as to the duties of the board to shareholders, creditors and others in light of the situation arising from the coronavirus outbreak. Earlier in the period, N M Rothschild & Sons Limited and HSBC Bank plc, in conjunction with Slaughter and May, advised the company on the terms of a note purchase agreement, resulting in the company issuing, in July 2019, £35 million of 3.30% senior secured notes due 2 July 2039 (see note 24(b)).

Performance evaluation

During the prior 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. This process was led by the chairman, and was conducted by him, the senior independent director and the chief executive. The review involved the completion of a questionnaire on an anonymous basis, with anonymity intended to encourage more open and constructive comment. The next formal review is expected to be carried out in the summer.

As required by its terms of reference, the audit committee 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.

Throughout the year, the chief executive informally appraised the individual performance of each of the other executive directors as part of his regular 1:1 meetings with them. 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.

Corporate governance report continued

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. The key steps and actions taken by the executive committee in the wake of the coronavirus outbreak are summarised in the strategic report, starting on page 1. 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 strategic report (see pages 16 to 19). Additionally, the executive committee regularly considers the group's financial controls memorandum – this comprehensive and internally-focussed 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 45.

Shareholder 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. 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. 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

Image removed

Ian McHoul
Committee Chairman

"Given the impact of the coronavirus outbreak, the committee thoroughly reviewed the company's related disclosures within the annual report. The committee also focussed on the methods of accounting used and judgements made relating to the group's financial reporting, the robustness of the external audit process and the group's management of risk and systems of internal control."

Committee Chairman

Ian McHoul was appointed as Chairman of the committee in September 2019 in place of Roger Lambert who had performed that role since July 2015.

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 and results announcements, including any key accounting matters, judgements and assumptions made regarding going concern.
- Advising the board on whether, taken as a whole, the content of the company's annual report provides a fair, balanced, and understandable view of the performance, position and prospects of the company.
- Reviewing the consistency and appropriateness of, and any changes to, accounting policies and practices.

Internal control and risk management

- Monitoring the integrity, adequacy and effectiveness of the company's internal control and risk management systems.
- Reviewing the company's systems, procedures and controls for detecting fraud and for the prevention of bribery.
- Reviewing the adequacy and security of the company's arrangements for its employees and contractors to raise concerns in confidence.

External audit

- Overseeing the company's relationship with its external auditor and reviewing the effectiveness of the company's external audit process, along with the findings of the external auditor, and assessing the independence of the company's external auditor.
- Recommending to the board the appointment, re-appointment and removal of the company's external auditor.
- Approving the terms of engagement of, and the remuneration to be paid to, the company's external auditor.

Internal audit

- Reviewing, assessing 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.
- Reviewing periodically reports on the results from the internal audit manager's work.
- Monitoring and assessing the role and effectiveness of the company's internal audit function.

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.

Audit committee continued

Major tasks

During the period, the major tasks undertaken by the committee comprised reviews of the following:

- ☑ the group's preliminary announcements of interim and final results, and the results themselves, all prior to review by the board;
- ☑ the judgements and estimates made by the company following the adoption of IFRS 16 (Leases);
- ☑ the group's financial controls memorandum;
- ☑ the group's systems of internal control and risk management;
- ☑ the group's whistleblowing policy;
- ☑ the group's information systems security management policy and cyber security arrangements;
- ☑ the effectiveness of the group's operations support managers following the restructuring of the group's in-house retail audit team;
- ☑ the performance of Ernst & Young LLP ("EY") as the company's external auditor and the effectiveness of the audit process;
- ☑ the company's policy for the engagement of its external auditor to supply non-audit services;
- ☑ the results of various internal audit findings;
- ☑ the company's major capital development projects;
- ☑ the company's cyber security arrangements; and
- ☑ the committee's own performance and effectiveness and the independence, financial literacy skills and skills and experience of the committee's members.

The committee agreed an internal audit plan for FY2020/21 which, under normal circumstances, would have been fit for purpose. However, in the wake of the coronavirus outbreak, the committee suspended the plan as it felt that the skills and expertise within the internal audit function could be better deployed elsewhere to assist in tackling the crisis facing the company. The committee expects to resume the internal audit plan once normal trading conditions return.

The committee continued to oversee EY, in its capacity as the group's external auditor, so as to ensure the delivery of a robust audit plan.

Committee membership

The committee, chaired by Ian McHoul, 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 three times during the period (in May, November and March) and the table on page 41 sets out each member's attendance record. The interim chief financial officer joined the May meeting and the chief executive and chief financial officer joined the meetings in November and March. The company's audit partner and audit manager at EY joined the May and November meetings as these related to the group's full-year and half-year results; they also joined the March meeting to provide an update on corporate reporting and the audit market generally. Other senior members of staff joined the meetings, as appropriate. As part of some 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 the committee the opportunity to raise any concerns it had and any issues arising from their work.

Advice, guidance and information

Formal agendas and reports are provided to the committee generally a week before its meetings, along with other information to enable it to discharge its duties. The following information and reports were provided to the committee during the period:

Financial reporting and external audit	Internal control and risk management	Internal audit
full and half-year review reports, including findings, prepared by EY	updated financial controls memorandum for approval	an internal audit plan
reports from the chief financial officer on key accounting matters and judgements	procedures for whistleblowing, detecting fraud and preventing bribery	various internal audit reports covering the results of findings, including the effectiveness of controls and various risks associated with them, generally stemming from the internal audit plan
draft engagement / management representation letters	updated systems security management policy for approval	an actions tracker for any outstanding matters as a result of findings made
financial year-end audit planning report prepared by EY	operations support managers review report	a report on major capital development projects carried out between April 2018 and March 2019
draft audit timetable		schedule of directors' expenses
schedule of non-audit work performed by EY		cyber security maturity assessment

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 this is addressed
Going concern assessment and covenant compliance Icon removed	The group adopted the going concern basis of reporting in the preparation of the financial statements, albeit subject to material uncertainties. The committee reviewed various financial and scenario based models underpinning the going concern assumption, the group's balance sheet, the rate at which the group uses cash (which has been significantly reduced through the deferral of capital investment projects and making use of the Government's job retention scheme and business rates holiday) and the overall capital position of the group. Note 24(b) on page 103 sets out the new banking facilities that the group has entered in to which resulted in a total of £285.0 million of funds and committed facilities with the group's lending banks, private placement lenders and under the Bank of England's Covid Corporate Financing Facility ("CCFF"). In addition, all of the group's lending banks have waived any technical 'cessation of business' breach of banking facilities as a result of the enforced closure of the group's pubs and the financial covenant tests at June, September and December this year and at March next year have been replaced with a liquidity test. Whilst these models show sufficient liquidity in the next 12 months, there are material uncertainties in respect of whether the group can access further funds from the Bank of England under the CCFF, given that the Bank's standard terms for the CCFF give it the right to deem any security ineligible for any reason, and whether the group will be in compliance with banking covenants from June 2021, once these covenants revert to their previous terms. EY tested the cash flow forecast models prepared by management and evaluated whether the assumptions were realistic, achievable and consistent with the external and internal environment and also inspected covenant waivers from the group's lending banks. As a result of the above, and although it is not possible to predict the extent of the damage that the coronavirus will have on the business going forward, the committee were satisfied that the going concern basis of reporting was appropriate, albeit with the material uncertainties disclosed.
Value of the group's pub estate Icon removed	This number, which has been adjusted for the adoption of IFRS 16 (Leases) (see below), is by far the largest number on the balance sheet at 30 March 2020; note 17 on page 98 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, which include a discount on pre-coronavirus values, and other documentation analysing the outcome of the exercise. Management's valuation process, which was supported by the company's valuation experts and included a 'material valuation uncertainty' due to the coronavirus, was also checked by EY's property specialist, enabling EY 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 30 March 2020.

Audit committee continued

Matter	How this is addressed
Accounting under IFRS 16 (Leases) Icon removed	Management, having fully adopted IFRS 16 (Leases) as the basis of reporting and having applied the modified retrospective method of adoption, made certain transition adjustments and judgements which included the fair value of longer leasehold pubs being carried forward (see note 2 on page 77) – this resulted in the recognition of a right-of-use asset of £148.2 million and a lease liability of £74.6 million. Under this method, the standard has been applied retrospectively, with the cumulative effect of initially applying the standard recognised in retained earnings at the date of initial application, being 2 April 2019. Given the complexity of the accounting standard, the relatively low number of leases that the group has and that pub leases were previously held at fair value, the committee was satisfied with the basis of accounting under this standard.
Deferred taxation Icon removed	Management, with help from the group's in-house tax manager, made certain judgements and produced detailed calculations supporting the estimated deferred tax movement and year-end balance; these took account of the impact of IFRS 16 (Leases) on the group's deferred tax position. 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 30 March 2020 was appropriate.
Accounting for pub acquisitions Icon removed	During the period, the group acquired the entire issued share capital of Spring Pub Company Ltd for a total cash cost of £29.9 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 5 pubs acquired, as well as the fair value of intangible assets, borrowings, contract liabilities, other assets and liabilities, deferred tax and goodwill. 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 30 March 2020 are in accordance with IFRS 3.
Asset impairment Icon removed	The enforced closure of the group's pubs, due to the coronavirus outbreak, was an indicator of impairment. Management completed full impairment tests on certain categories of assets across the group's pub estate which included goodwill, right-of-use assets and fixtures and fittings. Having used both internal and external factors in the impairment testing, including preparing a financial model and forecast on the expected short-term impact of the coronavirus and future growth prospects, management's assessment found there to be no impairment required. EY then corroborated those qualitative and quantitative factors against industry knowledge, prior year audit conclusions and EY's expectations, as well as full-year trading performance and future forecasts. The committee acknowledged that certain adverse changes to the assumptions in the impairment tests could result in a future impairment of those assets, but concluded that, at this stage, no impairment was necessary and the disclosures reflected those sensitivities – note 16 on page 95 sets out further information on these sensitivities.

EY's audit report on pages 62 to 69 also provides further detail on how some of 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, including the interim review and preparation of turnover certificates for the Bull (Westfield (Shepherd's Bush)) and the Cow (Westfield (Stratford)). The total fees paid to EY during the period for non-audit fees amounted to £39k (21% of total fees paid to EY during the period) (2019: £37k and 14.1%). In the committee's view, the nature and extent of the non-audit work carried out by EY did not impair their independence or objectivity.

Qualification, objectivity, independence etc. and proposed re-appointment of EY

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 30 March 2020 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 July 2019 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 integrity, 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 30 March 2020 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 30 March 2020 were £0.2 million (2019: £0.2 million).

As a result of the above assessment process, the committee has recommended the re-appointment of EY as the company's auditor, and EY has expressed its willingness to continue. A resolution to re-appoint EY and a resolution to enable the directors to set EY's remuneration will therefore be proposed at the forthcoming AGM.

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 minimise and 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;
- 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 10. This is not an exhaustive list of all significant risks and uncertainties; some may currently be unknown (as was the case with the coronavirus outbreak) 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;

Audit committee continued

- regular reporting of material claims and legal and accounting developments to the board;
- regular circulation of the group's anti-bribery policy to Riverside House employees and pub general managers and assessment of Riverside House employees' understanding of, that policy;
- the group's internal audit function and the group's in-house team of operations support managers; 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 sits within the finance team but also has a clear line of communication to both the chairman of the company's audit committee and the company secretary – he 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.

With assistance from a specialist external provider, a cyber security maturity assessment was completed during the period and certain projects were identified to improve the IT infrastructure.

The group's in-house team of operations support managers 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 team was restructured during the year: it still focuses on stock and cash management but now also assists in providing best practice advice to pub managers.

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. The audit committee believes, based on experience to date, that this policy is effective and staff members are aware of it.

Remuneration committee

Image removed

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

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.

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 7 times during the period and the table on page 41 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 Torquil Sligo-Young and Tracy Dodd, being the only other executive directors at the time.

Advice, guidance and information

General advice and guidance is provided to the committee by the company secretary; no external advice or guidance on a significant matter was sought during the period. 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:

- 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 FY2018/19 had been met; and
  - the extent to which the earnings per share performance condition applicable to the executive directors' performance-related bonuses for FY2015/16 had been achieved – further details on this condition are in note 30(a) starting on page 113;
- a pack of financial information and, for Simon Dodd, Torquil Sligo-Young and Tracy Dodd, proposed personal objectives – these assisted the committee in setting the performance conditions applicable to the executive directors' performance-related bonus awards for FY2019/20;
- the 2018/19 Report on FTSE AIM 100 Directors' Remuneration published by AON, the AIM Directors' Remuneration Report 2019 published by BDO and the Executive Remuneration in AIM listed companies publication published by KPMG Board Leadership Centre – these helped the committee in its consideration of the remuneration package for Simon Dodd, in the company's newly created role of chief operating officer; and
- the December 2019 edition of 'FTSE AIM Directors' Remuneration' published by FIT Remuneration Consultants LLP – this helped the committee when reviewing the executive directors' basic salaries for FY2020/21.

Remuneration committee continued

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 89); 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 and Mike Owen) or 100% of basic annual salary (Simon Dodd, Torquil Sligo-Young and Tracy Dodd). The key performance targets relevant to the bonus scheme for FY2019/20 (and the extent of the award dependent on each target, expressed as a percentage of basic annual salary) were set as follows:

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

* For the purposes of the bonus scheme for FY2019/20, the basic annual salaries of Mike Owen and Simon Dodd were reduced by 50% as they didn't join the board until September 2019.

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 Simon Dodd, Torquil Sligo-Young and Tracy Dodd recognised the specific executive roles and responsibilities they have.

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 30(a) starting on page 113 provides further details of how the scheme operates.

Following the end of the period, the committee determined that no performance-related bonuses would be payable to the executive directors pursuant to the bonus award letters issued in respect of FY2019/20. This decision is reflected in the 'Bonus 2020' column in note 8(b) appearing on page 89.

As is explained in note 30(a) starting on page 113, the 'matching' share part of the bonus scheme is linked to the growth of the group's adjusted earnings per share over a four-year period. For the 'matching' share awards dated June 2017 – only relevant to two of the executive directors: Patrick Dardis and Torquil Sligo-Young – the committee made adjustments to the group's year-end adjusted earnings per share; the result was that the earnings per share performance condition was determined to be met as to 30% rather than 0%, meaning that the individuals concerned could retain 30% of the 'matching' shares awarded to them. The committee made the adjustments primarily in light of the impact of the coronavirus pandemic in March 2020 and the forced closure of the group's pubs. The committee recognised in particular that a 0% outcome would mean that the coronavirus was impacting a measure set in November 2016, and where the company's performance for over three years of the relevant period would not have resulted in all the 'matching' shares having to be returned, and that to require all the 'matching' shares to be returned would result in a misalignment between the company's performance and shareholder experience over the vast majority of the relevant period and the executive remuneration outcomes; and would be removing a good link between pay and performance.

As reported last year, an independent review of executive remuneration was carried out by Deloitte LLP ("Deloitte") in 2018. This review of total compensation arrangements was undertaken from a number of perspectives (including benchmarking, review of structures against market practice, positioning and performance). 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). Based on that work and, in relation to Simon Dodd, also the reports referred to above in the *Advice, guidance and information* section, the committee determined the remuneration packages for Mike Owen, in his role as the company's new chief financial officer, and Simon Dodd, in the company's newly created role of chief operating officer.

Prior to the World Health Organisation declaring the coronavirus outbreak a pandemic and the Government ordering all pubs across the UK to close, the committee had reviewed the basic annual salaries of the five executives and had decided to raise them by 2%, effective from the start of FY2020/21. This decision was reconsidered when the coronavirus situation worsened – as a result, as at the date of this report, their basic annual salaries have been reduced by 20% for April, May and June.

The committee believes that the company's reward policy as regards the executive directors is consistent with the group's approach to risk management as it does not encourage inappropriate risks to be taken to achieve 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 89. 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 89 and 90 respectively. No executive director is involved in deciding their own remuneration.

In relation to Steven Robinson, the company's former chief financial officer, the committee met and considered the terms of the award relating to his performance-related bonus for FY2018/19. It was a condition of the award that he had to be an executive director or employee of a group company on the date when the performance conditions relating to his bonus were shown to have been satisfied to the committee's satisfaction (which was expected to be in or around May 2019). Failing this, his entitlement would lapse subject to any decision by the committee (at its sole discretion and on such terms as it may decide) to preserve any part of such entitlement that may have accrued to the date on which he ceased to be an executive director or employee of a group company. In the circumstances and as a result of his resignation in December 2018, and immediate departure from the business, the committee decided not to preserve any part of his entitlement to a performance-related bonus for FY2018/19.

Remuneration: non-executive directors

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. Apart from any entitlement arising from a previous executive role in the company, the non-executives 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 is a pensioner member of the group's defined benefit pension scheme – during the period, he ceased to hold any shares under the terms of the deferred annual bonus scheme (see note 30(a) starting on page 113) and in the prior period he exercised his remaining SAYE share option (see note 8(e) on page 90). 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 89. The executive committee had decided to increase the non-executives' basic fees for FY2020/21 but it subsequently chose to reverse this in light of the coronavirus situation – in the end, and as at the date of this report, their basic fees have been reduced by 20% for April, May and June.

By order of the board

Anthony Schroeder
Company Secretary

3 June 2020

Directors' report

For the 52 weeks ended 30 March 2020

Directors

Details of our directors appear on pages 36 and 37. All of them served throughout the period apart from Mike Owen (who joined the board on 9 September 2019) and Simon Dodd (who joined the board on 2 September 2019). No other person was a director during the period.

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 90.

		As at	A shares	Non-voting shares
Stephen Goodyear[i, ii]	Beneficial	**30 March 2020**	**202,321**	**–**
		1 April 2019	223,189	–
Patrick Dardis[i, ii]	Beneficial	**30 March 2020**	**114,591**	**–**
		1 April 2019	104,928	–
Mike Owen[i, iii]	Beneficial	**30 March 2020**	**301**	**–**
Simon Dodd[i, iv, v]	Beneficial	**30 March 2020**	**–**	**–**
Torquil Sligo-Young[i, ii, vi]	Beneficial	**30 March 2020**	**282,340**	**25,081**
		1 April 2019	292,373	–
	Trustee	**30 March 2020**	**4,154,340**	**574,671**
		1 April 2019	4,154,340	649,914
Tracy Dodd[i]	Beneficial	**30 March 2020**	**12,763**	**–**
		1 April 2019	7,301	–
Roger Lambert	Beneficial	**30 March 2020**	**5,250**	**5,000**
		1 April 2019	5,250	5,000
Trish Corzine	Beneficial	**30 March 2020**	**1,000**	**5,000**
		1 April 2019	1,000	5,000
Nick Miller	Beneficial	**30 March 2020**	**58,200**	**–**
		1 April 2019	55,000	–
Ian McHoul	Beneficial	**30 March 2020**	**–**	**–**
		1 April 2019	–	–

i Also interested in 7,526 (2019: 29,740) A shares held in trust by RBT II Trustees Limited – see note 31 on page 116.

ii Also interested in 337,067 (2019: 337,067) A shares held in trust by Young's Pension Trustees Limited – see note 31 on page 115.

iii Mike Owen was appointed to the board on 9 September 2019 (so no interests as at 1 April 2019 are shown).

iv Simon Dodd was appointed to the board on 2 September 2019 (so no interests as at 1 April 2019 are shown).

v This does not include Tracy Dodd's interest in the company's share capital as a person closely associated with Simon Dodd.

vi Torquil Sligo-Young and various members of his immediate family are discretionary beneficiaries under trusts holding 836,368 (2019: 836,368) of the A shares and 478,623 (2019: 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 £19.3 million. In light of the coronavirus and as part of its focus on prioritising cash conservation, the board has decided not to recommend the payment of a final dividend for the company's financial year ended on 30 March 2020.

Disclosure of information to the auditor

Each of the directors shown on pages 36 and 37 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. An additional qualifying third party indemnity provision is also in force at the date of this report; this benefits Stephen Goodyear, Patrick Dardis and Torquil Sligo-Young and relates to certain losses and liabilities which they may incur as a result of or in connection with anything properly done by them as attorneys under a property-related power of attorney made by the company in May 2016.

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

As permitted under section 414C(11) of the Companies Act 2006, the directors have chosen to include in the strategic report (on pages 1 to 32) 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 24, on page 102, 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, as it has now done for many years and within the limitation of commercial confidentiality and security, the company provided them with a variety of information, including news concerning the coronavirus (and the steps everyone should be taking to keep themselves and their colleagues safe), trading (as well as factors affecting the company's performance), developments and other appropriate matters such as board changes. It did this at many levels throughout the business, both formally and informally, including through Ram Pages (the group's weekly internal on-line communication), management presentations, divisional and other team meetings and, for those employees based at Riverside House, a full-year and half-year results presentation led by Patrick Dardis, the chief executive. To facilitate and speed up communication, some information was cascaded.

The company continued to consult regularly with its employees and their representatives; in connection with this, the company's information and consultation committee played an important role. This committee was set up many years ago to enhance communications within the company, supplying information and giving opportunity for feedback and consultation, in order to improve employee awareness and involvement and support ongoing improvement within the business. Members of the committee are elected by the employees based at Riverside House, with employees in the group's managed pubs having both an elected representative and a nominated management representative, with the latter being one of the group's directors of operations. The committee met three times during the period, with an executive director joining for one of those meetings. After each meeting, a briefing sheet, summarising the outcomes from the meeting, was communicated within the business – this was initially emailed to all employees based at Riverside House, with the group's operations managers then being responsible for cascading that information down to the pub managers within their area via divisional meetings and the pub managers then having to pass it down further through team briefings within their pubs. Each representative and pub manager is responsible for feeding back the information discussed at the committee's meetings, acting as a point of contact for individuals wishing to discuss matters and/or raise agenda items for discussion at meetings, and seeking further employees' views and ideas on matters, all in order to provide feedback to the board.

The company's integrated two-way appraisal and development process remained in place throughout the year; this has been designed to improve communications and the company's performance by ensuring employees' individual objectives are aligned with and facilitate the achievement of the company's targets and objectives. A 9-box grid appraisal system is used, with employees mapped against two axis, current performance and future potential. This system facilitates honest and productive conversations about employee development, personal aspirations and succession planning.

Directors' report continued

For the 52 weeks ended 30 March 2020

Employees continued

To encourage further involvement and interest in the group's performance, the company once again operated various bonus schemes for eligible employees and it also invited all employees of the group who had been continuously employed at and from the start of the period (a total of 4,391 individuals) to join the group's savings-related share option scheme for 2019, the 8th consecutive year that the scheme had been run. Under that scheme, employees generally save for a three-year period (through deductions from net salary) and can then buy A shares in the company if they choose to do so – the price at which a share can be bought was set at 1,412 pence per share, which was a discount of 20% to the market price at the time the invitations to take part in the scheme were issued.

On a more formal basis, the executive director team communicated regularly with team members through meetings and messages and at events. However, with the executive directors all being based at Riverside House and working in an open plan environment on one floor, there was also plenty of occasion during the period when each of them engaged informally not only with those employees based at Riverside House but also the many employees working in the pubs that visited Wandsworth for training and other events. The board, either as a whole, in small groups or in ones and twos, was also regularly out and about in the estate during the year and those pub visits provided opportunities to talk with team members. Other director-employee engagement instances are referred to elsewhere in this report and in the strategic report starting on page 1.

Being very aware of the pressures that people are now facing in their everyday lives, the board continued to recognise the need for, and importance of, ongoing support for all employees, regardless of their role at Young's, and that their mental health is as important as their physical well-being. As such, the board maintained its support for the company's wellness project, an initiative spanning the physical, mental and financial well-being of all the group's employees.

As part of the wellness project, the company offered fully-funded counselling to employees at no cost to them. This allowed one-to-one confidential discussions with a qualified counsellor.

Throughout the period, Young's continued its relationship with Salary Finance, an independent company authorised and regulated by the Financial Conduct Authority. Salary Finance offers a range of financial services, including loans and savings products, as well as education and financial tools. During the period, over 500 employees sought their help and advice and a number of employees took advantage of the loan and debt support they provide. Salary Finance lends to those of the group's employees who are aged 18 and over, have worked with the group for at least 12 months and earn at least £6,000 per annum – applications are assessed to ensure the loan is appropriate and affordable. Loan payments and savings are made via payroll deductions. All employee communications are directly with Salary Finance, and Young's does not receive any financial benefit or commission from offering this service.

During the period, 2 employees were trained as mental health first aiders and 57 as mental health first aid champions: individuals able to provide support and advice across the business to employees in crisis and to their managers. An email address remained available for employees to report concerns about others in the workplace and all issues that were reported were fully investigated, with advice or referral to external services as appropriate. In addition, managers and colleagues were provided with information to support employees at risk of mental health issues so as to reduce the risk of a situation escalating.

As part of an ongoing dialogue with the whole workforce about mental health, the company regularly included mental health topics in Ram Pages which, as well as giving information to employees and managers, signposted employees to the services available to them.

The company's corporate social media accounts supported the company's positive stance on mental health: during April 2019's Mental Health Awareness Week, the company's ram logo had as its background the green mental health awareness ribbon, and a number of items about mental health were shared publically.

In April last year, a mental health day was held at Riverside House; this included a keynote address from Neil Laybourn and Jonny Benjamin (via a video link), two well-known mental health advocates. All employees at Riverside House, who in turn touch all areas of the company's wider business, were invited; with the exception of a small number of pre-booked holidays, almost full attendance was achieved. Following the keynote talk, representatives of the Licensed Trade Charity addressed the audience on the services available to all Young's employees, and additional, targeted training was delivered by a mental health specialist to line managers and to general managers from a number of the company's pubs.

The Licensed Trade Charity, first established in 1793, helps pubs, bar and brewery people when in need of help. It supports hundreds of people facing a crisis via practical, emotional and financial support each year. The group continued to refer to the charity certain of its employees who were in need of this help and made them aware of the 24/7 free confidential telephone counselling service offered by the charity. The company also included the charity's details in communications with employees regarding the coronavirus as it was anticipated that this would be particularly unsettling and worrying for very many people.

With an ongoing desire to see team members achieve their full potential, the board readily supported the furtherance and extension of the group's apprenticeship scheme that began in 2017 and the people team's continued operation of the group's in-house career pathway (comprising a management academy and career development programme).

By the end of the period, 12 individuals had completed the company's 18-month chef apprenticeship programme (level 2), with 7 achieving a distinction. A further 51 are in the current chef and front of house programmes (levels 2 and 3). More than 140 individuals have now enrolled on the programme during its first 2 years.

The management academy, which began in 2015 and which has seen over 145 individuals pass through it, is a 9-month programme designed primarily to inspire and engage the group's future pub managers as they work towards their first pub appointment. The course covers such topics as 'People: leadership and succession', 'Food: menu design and strategy' and 'Sales: business planning and sales driving'. Each course is facilitated by the best in the group's business, including experienced general managers, heads of department and key members of the Riverside House team. The programme concludes with an operationally-focussed finishing school. During the period, 42 individuals graduated from the programme; as at the period end, 15 of those were 'holding' pubs or had been appointed as general managers to their own pub. The management academy was developed further during the year to include 6 weeks' kitchen experience (so as to increase knowledge and relationships with the kitchen teams) and the course-ending evaluation now includes a practical culinary challenge. In November 2018, the group won the National Innovation Training Award for this programme.

By the end of the year, 61 individuals had taken part in the group's career development programme since its introduction in 2016, with 7 graduating this year. All of the group's employees are eligible to apply to join the programme – their application has to have a supporting statement from their line manager and one other business sponsor outside of their reporting line, and is required to be supported by a project idea to be put to the executive board in a presentation as part of the pre-course evaluation process. The following are some of the learning outcomes that it is intended that individuals achieve whilst on the 10-month course: understanding themselves, their leadership qualities and their preferences whilst working alone and in a group; establishing positive work relationships with colleagues, customers and other stakeholders; adapting personal style and interaction at all levels, whilst maintaining credibility, planning and scheduling of priorities – do the right things right; constructing solutions jointly with others, building on their ideas; giving and receiving feedback that promotes understanding and improves work performance; building a cohesive and effective team recognising the different roles individuals play; recognising team and individual needs during the distinct stages of team development; supporting and challenging individuals through effective coaching enabling them to take greater responsibility; and developing motivated and empowered team members through targeted delegation.

Young's is an inclusive employer and diversity is important to it. It therefore 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; 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 giving all employees, including disabled employees, equal opportunities for training, career development and promotion.

As the coronavirus really took hold in March, employees were reminded about what they needed to do to keep themselves and their colleagues safe and how to help minimise the spread of the virus. Much of the focus was on hygiene and cleaning and the 'stay at home'/'self-isolation' 'rules' if anyone developed any of the symptoms. Where possible, working from home was encouraged. A full closure of Riverside House, with all teams working remotely, was carried out to identify and address any barriers to remote working and ensure smooth operations. Prior to the Government's order that all pubs in the UK were to close, and to protect the health and safety of employees and customers, steps were taken for an orderly shutdown and closure of the pubs and Riverside House.

Directors' report continued

For the 52 weeks ended 30 March 2020

Greenhouse gas emissions, energy consumption and energy efficiency action

In this section of this report:

- "DEFRA" means the Department for Environment, Food and Rural Affairs;
- "kWh" means kilowatt hours; and
- "tCO_2e" tonnes of carbon dioxide equivalent.

	2020	2019
Revenue in £ million	**311.6**	303.7
No. of managed houses at the year-end	**207**	199
The annual quantity of emissions in tCO_2e resulting from activities for which the group was responsible involving (i) the combustion of gas or (ii) the consumption of fuel for the purposes of transport	**8,247**	7,757
The annual quantity of emissions in tCO_2e resulting from the purchase of electricity by the group for its own use, including for the purposes of transport	**8,727**	9,347
The annual quantity of energy consumed in kWh from activities for which the group was responsible involving (i) the combustion of gas or (ii) the consumption of fuel for the purposes of transport, together with the annual quantity of energy consumed in kWh resulting from the purchase of electricity by the group for its own use, including for the purposes of transport	**78,613,804**	74,754,206
The group's annual emissions: ratio of tCO_2e per £ million of revenue	**54.47:1**	56.32:1

The following methodologies were used to calculate the above quantities:

- the kWh consumption figures relevant to gas, electricity, district heating (i.e. a system for distributing heat generated in a centralised location through a system of insulated pipes for residential and commercial heating requirements such as space heating and water heating) and district cooling (i.e. a system working on broadly similar principles to district heating but delivering chilled water to buildings needing cooling) were taken from invoices received by the group[(i)] – the kWh figures were then converted to tCO_2e figures using the then current conversion factors published by DEFRA;
- the consumption figures relevant to propane were taken from invoices received by the group[(i)] – this was either in kilograms or litres delivered and was then converted to kWh and tCO_2e using the then current conversion factors published by DEFRA; and
- the consumption figures relevant to transport were calculated using expensed mileage figures – to calculate tCO_2e for company cars, the group then used the car manufacturer's gCO_2/km data and increased this by 38% per guidelines issued by DEFRA – to calculate tCO_2e for mileage completed in other cars, the conversion was made using figures for an average car per guidance issued by DEFRA – the resulting tCO_2e figures were then converted to kWh using the then current fuel conversion factors published by DEFRA – where the fuel type used was unknown, it was assumed to be diesel in line with guidance published by DEFRA.

(i) For 2020, the invoices referred to above cover the period April 2019 through to and including January 2020 – they have been supplemented by estimated invoices for February and March 2020 based on invoices for February and March 2019. For 2019, the invoices referred to above cover the period April 2018 through to and including March 2019. Estimated invoices had to be used due to invoices not being received from the group's energy suppliers because of delays in their reporting software.

During the period, the following were the principal measures taken by the group for the purpose of increasing the group's energy efficiency:

- building management systems were installed at 19 locations to control heating and cooling;
- heating systems were redesigned at 10 locations, reducing the total number of boilers by 6;
- cellar cooling controls were installed at 17 locations;
- variable current compressor controls were installed on all refrigeration at 4 locations; and
- an additive to wet heating systems was installed at 55 locations to improve their efficiency.

Engagement with suppliers, customers and others in a business relationship with the company

The following section should be read in conjunction with the *Section 172(1) statement* starting on page 29.

Young's has been in business since 1831 when Charles Allen Young and Anthony Forthergill Bainbridge started a brewery and pub company, with this leading to the company's incorporation in 1890. Understandably, to have remained in business for so long and have achieved the success it has, the company has had to build and maintain good, strong and mutually beneficial business relationships with suppliers, customers and others over the years. During the period, the board remained alert to the importance of this continuing and how the company's long-term success relies, amongst other things, on good business relations with this range of external stakeholders.

The company's long-term strategy and business model (summarised on page 10) have been tried and tested over a number of years. As such, many of the company's business relationships have been in place for quite some time; things nevertheless were kept under review during the period to ensure that the company could continue to maintain its reputation as a provider of a market-leading, premium offering that new and existing customers would want to enjoy and with which suppliers and others would want to be associated.

During the period, the company actively engaged with, and sought feedback from, suppliers, customers and tenants in a variety of ways, including through meetings, conversations, forums and periodic business reviews. With the company's customers being widespread, a significant part of the company's engagement strategy with them was carried out via social media, including through Facebook, Twitter and Instagram. E-marketing was also undertaken with the company's subscribed database. Online review platforms such as Google, TripAdvisor and DesignMyNight enabled customers to give speedy and relevant feedback, and a cloud-based reputation management system used by the company helped it assimilate the feedback received. The board was regularly out in the estate and, from time to time, used those opportunities to talk to customers. Overall, and in the absence of the coronavirus pandemic, feedback was supportive of the company continuing its clearly defined premium, customer-focussed and people-led strategy and its accompanying conservative approach to acquisitions and financing.

For the mutual benefit of the company and its customers and suppliers, the company, as it has done for many years, sought to leverage the relationships it has with its suppliers, especially those providing drink products (as drink sales historically count for roughly 70% of the company's sales in any year). So, rather than just source products from its drink suppliers and sell them on to its customers, the company continued to look at ways of working more closely, proactively and collaboratively with those suppliers to create or increase consumer demand... and the following are just four illustrative examples of what consequently took place during the period:

- as part of the company's agreement with Coca-Cola to consider one new product each year, the company identified Coca-Cola's Signature Mixers as a great fit for the company's managed pubs (due to their premium branding and link to an expanding spirit category) – consequently, Coca-Cola presented amongst the first wave of samples available in the UK to the on-trade at the company's summer roadshow and, as an enhancement of the company's reputation, Young's was the first large on-trade customer in the UK to offer a Havana and Signature Coca-Cola promotion as part of August's National Rum Day;
- each quarter the company proactively reviewed its drink listings to ensure its managed pubs were stocking what was required of them (and it then shared that information with the relevant supplier) – experience has shown that this makes some suppliers more motivated to support their products in the company's managed pubs and it also helps with future contract negotiations - therefore, over the course of a four-month period, Pernod Ricard ran a gin sampling experience with Beefeater and Monkey 47 across 16 of the company's managed pubs, and it also supplied complimentary Spicy Cuba Libre in celebration of National Rum Day (which was only available via the Young's On Tap app);
- mobile bars provided by suppliers have long been a way to increase service points and improve speed of service for customers – however, suppliers have traditionally restricted their use to sales of the supplier's products – last summer, the company therefore worked closely with the Peroni account team to identify non-beer suppliers to share a number of mobile bar spaces – this resulted in 13 of the company's managed pubs being able to offer wine and spritz serves alongside pints of Peroni – this innovative and collaborative approach drove significant year-on-year Peroni sales, whilst offering a wider range of products to the company's customers and improving their overall experience; and
- Camden Town Brewery "served up Wimbledon" with a bespoke installation at the local Dog & Fox pub hotel to coincide with the tennis championships – this activity, which delivered a great beer experience to tennis fans after each day's play, produced a 16% uplift on the previous year's Camden drink sales at the pub, despite competing against the football World Cup in 2018 – Camden had also created a permanent "Camden Castle" at the Half Moon (Putney) which was intended to be fully ready to welcome customers in time for the 2020 Boat Race before it was cancelled - five of the company's pubs (the Wheatsheaf (Borough Market), Founder's Arms (South Bank), White Horse (Broadgate), Victoria (Surbiton) and the Coach & Horses (Kew)) have also benefited from summer-long Camden garden residencies, which included permanent outdoor dispense and decoration.

Directors' report continued

For the 52 weeks ended 30 March 2020

Engagement with suppliers, customers and others in a business relationship with the company continued

The following, which are further examples of actions taken, also occurred during the period and are in addition to the various actions referred to in the strategic report starting on page 1, and especially the *Section 172(1) statement* starting on page 29. Together, they reflect not only steps taken following feedback received but also the board's recognition of the need to continue to develop the company's business relationships with its suppliers, customers, tenants and others, all against a background of the company's customer-focussed and people-led strategy, accompanied by a conservative approach to acquisitions and financing:

- a 'Chosen by the Locals' campaign was run at the Station Hotel (Hither Green) – locals were invited to select the seasonal drinks appearing on the bar;
- speed of service in the pubs was further improved but without compromising quality – this was helped in part by an increasing number of tablet-taken orders in the pubs and, where space permitted, pop-up mobile bars appearing when needed;
- 'order to table' via the Young's On Tap app was trialled in two pubs – this was designed to allow customers to sign on to the app and place their orders directly without having to wait those few minutes to have their orders taken in a more traditional way at the bar or via a 'waiting' team member;
- the Young's On Tap app was further enhanced to reward customers and build customer loyalty – an example was the focussed activity aimed to drive footfall post-Christmas where customers only had to pay their bills or tabs via the app in November or December to reap a reward in January, with the New Year treats including complimentary meals and drinks on the house (to name a few), making customers' January that little bit brighter;
- social media was leveraged, in conjunction with supplier-funded support, towards customer targeted ads during key Rugby World Cup games – these were intended to help drive footfall and, for the customers' benefit, had a booking incentive;
- new drink products were trialled and introduced, including the following: two new Young's beers (Young's Head On Indian Pale Lager and Young's City Scape, a contemporary golden cask ale), a sparkling Provence rosé, Beefeater Blood Orange, a premium gin with a hint of blood orange, and Johnnie Walker as the company's 'house pour' scotch;
- new promotional activities were undertaken (including the Fever-Tree bespoke Summer of Spritz and Winter Tipples menus setting out an extended list of serves for the summer and winter months);
- for certain food suppliers, their delivery frequencies were altered and minimum value orders from the pubs were introduced; and
- the company's food suppliers provided an increased variety of higher-welfare and more sustainable produce.

Corporate governance

The group's report on corporate governance is set out on pages 33 to 53. 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 119 to 123.

Notifications of major holdings of voting rights

As at 30 March 2020, 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%

No 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 1 April 2020 and 30 May 2020, 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 32) and the financial statements for the period ended 30 March 2020 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

3 June 2020

Independent auditor's report

For the 52 weeks ended 30 March 2020

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 30 March 2020 and of the group's profit for the 52 weeks 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 30 March 2020	Balance sheet as at 30 March 2020
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	Related notes 1 to 34 to the financial statements, including a summary of significant accounting policies
Group statement of cash flow for the 52 weeks then ended	
Related notes 1 to 34 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.

Material uncertainty relating to going concern

We draw attention to note 1 in the financial statements, which indicates that the ability of the group and the parent company to continue as a going concern is subject to material uncertainties.

The Coronavirus pandemic has a significant impact on the group's sales, profitability and cash flow, in particular due to the group's pubs being closed for an extended period of time and ongoing uncertainty over the timing of and restrictions attached to their reopening. Whilst the group has taken a number of mitigating actions to manage liquidity, described further in note 1 to the financial statements, this has given rise to the following material uncertainties, which may cast significant doubt about the group's ability to continue as a going concern:

- Whether the group can access further funds from the Bank of England under its Covid Corporate Financing Facility ('CCFF'). Whilst the group has agreed funds under the CCFF, under the Bank of England's standard terms for the CCFF the Bank reserves the right not to issue further amounts beyond the £30 million issued in May 2020.
- Whether the group will be in compliance with banking covenants beyond 12 months from the date of approval of these financial statements. Whilst the group has agreed changes to its quarterly banking covenants through to 31 March 2021, the uncertainties over future trading could result in covenant breaches when the covenants revert to previous measures from the 30 June 2021 covenant test onwards.

We describe below how our audit responded to the risk relating to going concern:

- The audit engagement partner and senior team members increased their time directing and supervising the audit procedures on going concern, in particular in assessing the going concern model and assumptions and reviewing evidence of changes to financing arrangements and banking covenants;
- We obtained evidence of the group's new and extended financing with its lending banks and the Bank of England, including the amendments to banking covenants for the quarterly test dates through to and including 31 March 2021;
- We understood the terms and conditions attached to the Bank of England's CCFF, specifically the rights of the Bank of England and the group in respect of issued debt and amounts not issued;
- We obtained the cash flow forecast models used by the Board in its assessment, checking their arithmetical accuracy, whether they had been approved by the Board and considering the group's historical forecasting accuracy;

- We recalculated the group's banking covenant tests, under their amended terms through to 31 May 2021 and under their original terms from the 30 June 2021 test date onwards;
- We evaluated whether the assumptions, particularly over the timing of pubs reopening and the timing and extent to which trading would recover to pre-coronavirus levels, were realistic, achievable and consistent with the external and/or internal environment as well as other matters identified in the audit;
- We considered management's stress testing of the group's cash flow forecast models and their impact on forecast liquidity and banking covenants, specifically whether the stress tests were of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively;
- We considered the likelihood of management's ability to execute mitigating actions based on our understanding of the group and the sector, including whether those mitigating actions were controllable by management; and
- We assessed the appropriateness of the going concern disclosures in describing the risks associated with the group's ability to continue as a going concern for a period of at least 12 months from the date of our auditor's report.
- Our opinion is not modified in respect of these matters.

Overview of our audit approach

Key audit matters	• Valuation of the freehold pub estate • Accounting under IFRS 16 Leases (new risk for 2020) • Deferred taxation arising on the valuation of the pub estate, including the impact of IFRS 16 • Spring Pubs preliminary purchase price allocation (new risk for 2020) • Asset impairment (new risk for 2020) • Management override in the recognition of revenue
Audit scope	• 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.
Materiality	• Overall group materiality of £1.7m, which represents 5% of profit before tax adjusted for the movement on the revaluation of properties.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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.

In addition to the matter described in the material uncertainty related to going concern section, we determined the matters described below to be the key audit matters to be communicated in our report.

Valuation of the freehold pub estate

Refer to the Audit Committee Report (page 45); Accounting policies (page 79); and Note 17 of the financial statements (page 97)

Icon removed

In accordance with the group's accounting policy for property and equipment, management applies the revaluation model for the freehold pub estate, which had a carrying value of £722.2 million at 30 March 2020 (2019: £769.8 million). The 2019 valuation of £769.8 million also included long leasehold pubs with a valuation of £67.1 million, which are now accounted for under IFRS 16 Leases. 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 freehold pub based on its current and forecast trading performance, or a spot valuation;
- A revaluation by Savills, independent chartered surveyors, of a representative sample of 20% of the group's freehold pubs, including pubs of varying location and type; and
- A revaluation of the remaining 80% of the freehold pub estate, led by Andrew Cox, the group's director of property and tenancies, and supported by Savills, 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.

The uncertainties over the current economic environment caused by the Coronavirus pandemic, including the closure of all pubs in the UK, had an impact on the valuation of the group's freehold pub estate. As described in note 17, Savills highlighted in its assessment of the fair value of the freehold pub estate that the valuation incorporates the impact of coronavirus by discounting pre-coronavirus values by between 0% and 10% dependent on factors including, but not limited to: location; segment; and performance of each site. The valuation discount applied contains material uncertainty given the lack of comparable transactional activity since the onset of coronavirus and the uncertainty over future trade at the valuation date. Accordingly, the group has reported the valuation of the freehold pub estate at 30 March 2020 on the basis of a 'material valuation uncertainty'.

Independent auditor's report continued

Our response to the risk

We performed a walkthrough of each aspect of the group's freehold 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, spot valuations and the assumptions made in respect of the impact of Coronavirus. They also included the impact on management's valuation of the inclusion in the external valuer's valuation opinion of a 'material valuation uncertainty' clause as a result of the Coronavirus pandemic.

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 207 freehold pubs, with support from our property valuations specialists we tested a sample of 41 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, prior to the application of any adjustment for Coronavirus.

With support from our property valuations specialists, we also considered the approach taken to reflect the impact of the Coronavirus pandemic on freehold pub values, given the level of uncertainty. This included consideration of the methodology applied compared to the limited market data available, the approach being taken by other property companies and the characteristics of the individual pub assets.

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 financial statements and whether they were compliant with the fair value information required under IFRS 13. In particular, we considered whether they adequately described the judgements made in respect of the impact of Coronavirus on freehold pub values.

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 tested the inputs, assumptions and methodology used by the external valuers. We concluded that the methodology applied is reasonable and that the external valuations are an appropriate assessment of the market value of freehold properties at 30 March 2020.

We concluded that the sample of 40 properties tested by our internal property valuations specialists was within the reasonable range of values as assessed by them, including the reduction in value as a result of Coronavirus.

We consider that management provided an appropriate level of review and challenge over the valuations and we did not identify evidence of undue management influence.

We reviewed the disclosures in note 17 to the financial statements, including those relating to the material valuation uncertainty paragraph included by Savills in its valuation report, and consider them to be appropriate.

Accounting under IFRS 16 Leases (new risk for 2020)

Icon removed

Refer to the Audit Committee Report (page 45); Accounting policies (page 79); and Notes 2, 18 and 28 of the financial statements (page 77, 100 and 111)

The group has a number of leasehold pubs, as well as lower value leases for vehicles and IT equipment. Following the adoption of IFRS 16 Leases for the first time in 2020, the recognition of future lease liabilities and corresponding assets has changed. At 30 March 2020, the group brought onto its balance sheet right of use assets of £163.9 million (on transition at 2 April 2019: £148.2 million) and lease liabilities of £82.2 million (on transition at 2 April 2019: £74.6 million).

The group has adopted IFRS 16 using the modified retrospective approach. There is no impact on cash flows, although the presentation of certain line items in the cash flow statement has changed.

In particular, management judgement was required in determining the carrying value of right of use assets, on transition, for existing finance leased pub assets, which were previously revalued under IAS 16 Property, Plant and Equipment. Specifically, judgement was required in whether the carrying value on transition is the fair value of these assets or their historical cost.

Furthermore, on transition and for new leases entered into during the year, judgement was required in estimating the group's incremental borrowing rate for each lease, used to discount future lease payments to calculate lease liabilities.

Our response to the risk

We performed a walkthrough of the group's process for determining lease accounting under IFRS 16, including the identification of all leases within the group, and assessed the design effectiveness of the key controls that were in place.

We considered management's judgement that the carrying value of right of use assets, on transition, of existing finance leased pub assets was the fair value of those assets, in the context of the accounting standard, its transition rules and implementation guidance, as well as our experience from IFRS 16 implementations in other companies.

With support from our valuation specialists, we assessed the incremental borrowing rate against supportable external market evidence.

We tested the completeness and accuracy of the underlying data used in preparing the IFRS 16 adjustment by agreeing information to original contracts or recent invoices for rental payments and examining accounting records for payments which may suggest a lease contract is in place.

We also considered the adequacy of the group's disclosures in respect of the transition to IFRS 16.

Scope of our procedures

We performed full scope audit procedures over all leases in the group.

Key observations communicated to the Audit Committee

We found the estimate of the lease liability and right of use asset, both on transition and at 30 March 2020, to be acceptable.

In particular, we consider management's adoption of the fair value of previous finance leased assets as their deemed right of use asset on transition to be appropriate.

The disclosures on the IFRS 16 transition, as well as changes in the right of use assets and lease liabilities during the year, are appropriate

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Deferred tax arising on the valuation of the pub estate, including the impact of IFRS 16 Leases

Icon removed

Refer to the Audit Committee Report (page 45); Accounting policies (page 79); and Note 25 of the financial statements (page 107)

At 30 March 2020, the group had deferred tax assets of £8.3 million (2019: £7.4 million) and deferred tax liabilities of £69.9 million (2019: £60.6 million).

There is complexity in the group's accounting for deferred tax. Specifically, a significant level of management judgement and complex calculations are required in accounting for the deferred tax arising both on the valuation of each freehold pub and on the right of use asset for each leasehold pub.

These judgements are focussed 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;
- recognising the deferred tax at the correct corporation tax rate, depending on the underlying assumptions; and
- for the first time in the current year, calculating the deferred tax associated with right of use assets recognised under IFRS 16, which have a similar risk profile to the freehold pub estate.

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 freehold pub and the right of use asset for each leasehold pub. This focussed 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 25 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, including the impact of IFRS 16, to be appropriate and consistent with 2019. We also consider that the disclosures in note 25 to the group financial statements are appropriate.

Independent auditor's report continued

Spring Pubs preliminary purchase price allocation (new risk for 2020)

Icon removed

Refer to the Audit Committee Report (page 45); Accounting policies (page 79); and Note 13 of the financial statements (page 93)

In March 2020 the group acquired Spring Pubs for a total cash cost of £29.9 million. 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 an external expert, Fleurets. The primary element of the valuation exercise assessed the fair values of the five pubs acquired, whether freehold property or right of use assets associated with leasehold pubs. The allocation also considered the fair values of intangible assets, borrowings, contract liabilities, other assets and liabilities and deferred tax. Goodwill of £3.3m was recognised on the transaction.

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.

For both freehold and leasehold pubs, we obtained the group's external expert's reports supporting the value of the freehold pubs or right of use assets, and performed similar procedures as we describe for the "valuation of the freehold pub estate" key audit matter.

For leasehold pubs, we considered management's estimate of the lease liabilities, including the incremental borrowing rate, performing similar procedures as we describe for the "Accounting under IFRS 16 Leases" key audit matter

For other assets acquired and liabilities assumed, we evaluated the group's methodology, assumptions and estimates used in determining 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 appropriate, and that the disclosures made in the financial statements are in accordance with IFRS 3.

Asset impairment

Icon removed

Refer to the Audit Committee Report (page 45); Accounting policies (page 79); and Notes 16 and 18 of the financial statements (pages 95 and 100)

In addition to its freehold property portfolio, the group has significant other assets connected with its pub estate, including goodwill of £32.5 million, fixtures, fittings and equipment of £89.0 million and right of use assets of £163.4 million.

The uncertainties over the current economic environment caused by the Coronavirus pandemic, including the closure of all pubs in the UK, has been identified as an indicator of impairment.

Impairment is tested on the basis of each individual cash generating unit (an individual pub) or in the case of goodwill, the group of pubs associated with it.

There is a risk that, given the uncertainties over future trading caused by the Coronavirus, pubs may not achieve the anticipated business performance to support their carrying value. This could lead to an impairment charge that has not been recognised by management.

Significant judgement is required in forecasting the future cash flows of each pub, together with the rate at which they are discounted.

Our response to the risk

We understood and walked through the methodology applied by management in performing its impairment test for each of the relevant pubs, and assessed the design effectiveness of the key controls that were in place.

We tested the arithmetical accuracy and integrity of the impairment model and confirmed that the forecasts were consistent with the Board approved forecasts and those used in the going concern assessments.

For those pubs or groups of pubs that assumed more than a long-term growth rate in the short term, we considered management's estimates in the context of the actions already taken to achieve profit improvement, the expected impact of other external events and management's historical forecasting accuracy.

We used our internal valuations specialists to support our assessment of the discount rate applied to cash flows by benchmarking to market information.

In respect of the impact of Coronavirus on both short-term trading and the longer term growth rate, we compared management's assumptions against external economic forecasts.

We calculated the degree to which the key inputs and assumptions would need to fluctuate before an impairment was triggered and considered the likelihood of this occurring. We performed our own sensitivities on the group's forecasts, which included various scenarios on short term disruption and long term growth rate. We then determined whether adequate headroom remained using these sensitivities and our independent assessment.

We assessed the disclosures in notes 16 and 18 of the financial statements against the requirements of IAS 36 Impairment of Assets, in particular the requirement to disclose further sensitivities for CGUs where a reasonably possible change in a key assumption would cause an impairment.

Key observations communicated to the Audit Committee

We concluded that no material impairment was required at 30 March 2020, based on the results of our work.

However, the impairment test is sensitive to adverse changes that could arise given the uncertainties surrounding the impact of Coronavirus. In particular, a decline in the long-term growth rate could result in an impairment of a number of pubs or groups of pubs.

Management describes these sensitivities appropriately in notes 16 and 18 to the financial statements, in accordance with IAS 36

Management override in the recognition of revenue

Icon removed

Refer to the Audit Committee Report (page 45) and Accounting policies (page 79)

The group recorded revenue of £311.6 million in the year (2019: £303.7 million), including £299.2 million in the Managed houses segment (2019: £290.3 million) and £12.1 million in the Ram Pub Company segment (2019: £13.0 million). 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.

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.

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 test 100% of the group's revenue transactions and the extent to which they converted to trade receivables or cash, we consider that revenue is fairly stated.

In the prior year, our auditor's report included a key audit matter in relation to the Redcomb Pubs preliminary purchase price allocation. Whilst this matter did not recur in 2020, a similar key audit matter is included in 2020 in respect of the Spring Pubs preliminary purchase price allocation. In addition, our prior year auditor's report included a key audit matter in relation to supplier rebates. In the current year, the risk associated with supplier rebates reduced as the group moved to on-invoice discounting with the majority of its suppliers, removing the judgement in the recognition of rebates.

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 30 March 2020 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.

Independent auditor's report continued

Our application of materiality

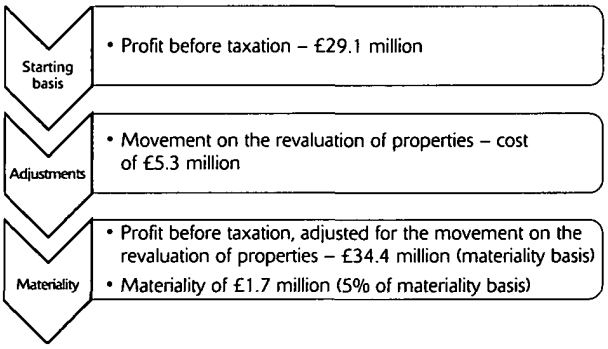
We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

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 £1.7 million (2019: £2.2 million), which is 5% (2019: 5%) of profit before taxation, adjusted for the movement on the revaluation of properties. We believe that profit before taxation is considered to be the primary area of focus of the group's stakeholders. We exclude the impact of the movement on the revaluation of properties as we consider it to be a material, non-recurring adjusting item which does not reflect the underlying trading performance of the group.

We believe that the primary area of focus of the company's stakeholders are consistent with those of the group and despite profit before tax, adjusted for the movement on the revaluation of properties being a higher figure, we have capped materiality at £1.7million, in line with the group.



During the course of our audit, we reassessed initial materiality and reduced it to reflect the lower profitability of the group due to the impact of Coronavirus on trading towards the end of the year.

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% (2019: 75%) of our planning materiality, namely £1.3 million (2019: £1.6 million). We 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 (2019: £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 41, 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.

Ernst + Young LLP

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

3 June 2020

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 auditor does not involve consideration of these matters and, accordingly, the auditor accepts 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 30 March 2020

	Notes	2020 £m	2019 £m
Revenue	6	**311.6**	303.7
Operating costs before adjusting items	7	**(265.1)**	(255.2)
Adjusted operating profit		**46.5**	48.5
Adjusting items	9	**(8.6)**	(3.9)
Operating profit		**37.9**	44.6
Finance costs	11	**(8.6)**	(5.0)
Finance charge for pension obligations	26	**(0.2)**	(0.1)
Profit before tax		**29.1**	39.5
Income tax expense	12	**(9.8)**	(8.0)
Profit for the period attributable to shareholders of the parent company		**19.3**	31.5
		Pence	Pence
Earnings per 12.5p ordinary share			
Basic	15	**39.37**	64.36
Diluted	15	**39.35**	64.31

All of the results above are from continuing operations.

The notes on pages 76 to 117 form part of these financial statements.
The independent auditor's report is set out on pages 62 to 69.

Group statement of comprehensive income

For the 52 weeks ended 30 March 2020

	Notes	2020 £m	2019 £m
Profit for the period		**19.3**	31.5
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Unrealised (loss)/gain on revaluation of property	17	**(9.3)**	25.3
Remeasurement of retirement benefit schemes	26	**(0.7)**	(1.2)
Tax on above components of other comprehensive income		**(3.1)**	(3.2)
Items that will be reclassified subsequently to profit or loss:			
Fair value movement of interest rate swaps	24	**0.4**	0.5
Tax on fair value movement of interest rate swaps		**–**	(0.1)
		(12.7)	21.3
Total comprehensive income attributable to shareholders of the parent company		**6.6**	52.8

All of the results above are from continuing operations.

The notes on pages 76 to 117 form part of these financial statements.
The independent auditor's report is set out on pages 62 to 69.

Balance sheets

At 30 March 2020

	Notes	Group 2020 £m	Group 2019 £m	Company 2020 £m	Company Restated[1] 2019 £m
Non-current assets					
Goodwill and intangible assets	16	**32.5**	33.5	**27.7**	18.1
Property and equipment	17	**771.1**	807.0	**751.5**	777.7
Right-of-use assets	18	**163.4**	–	**136.9**	–
Investment in subsidiaries	19	**–**	–	**34.4**	35.8
Deferred tax assets	25	**8.3**	7.4	**8.3**	7.4
Lease premiums		**–**	12.9	**–**	4.8
		975.3	860.8	**958.8**	843.8
Current assets					
Inventories	20	**3.3**	3.7	**3.2**	3.4
Trade and other receivables	21	**9.3**	8.3	**9.9**	24.5
Income tax receivable		**0.1**	–	**–**	–
Lease premiums		**–**	0.7	**–**	0.3
Cash		**1.1**	8.5	**1.1**	8.2
		13.8	21.2	**14.2**	36.4
Asset held for sale	22	**0.5**	–	**0.5**	–
Total assets		**989.6**	882.0	**973.5**	880.2
Current liabilities					
Borrowings	24	**(50.0)**	(8.5)	**(50.0)**	(8.5)
Lease liabilities	28	**(5.3)**	–	**(5.0)**	–
Derivative financial instruments	24	**(2.4)**	(1.9)	**(2.4)**	(1.9)
Trade and other payables	23	**(33.3)**	(35.9)	**(43.2)**	(39.9)
Income tax payable		**–**	(4.8)	**(0.1)**	(4.4)
		(91.0)	(51.1)	**(100.7)**	(54.7)
Non-current liabilities					
Borrowings	24	**(149.2)**	(163.0)	**(149.2)**	(163.0)
Lease liabilities	28	**(77.0)**	(0.6)	**(59.6)**	(0.6)
Derivative financial instruments	24	**(3.3)**	(4.2)	**(3.3)**	(4.2)
Deferred tax liabilities	25	**(69.9)**	(60.6)	**(65.7)**	(57.9)
Retirement benefit schemes	26	**(8.2)**	(8.6)	**(8.2)**	(8.6)
Other liabilities	27	**(0.2)**	(0.5)	**(0.2)**	(0.5)
		(307.8)	(237.5)	**(286.2)**	(234.8)
Total liabilities		**(398.8)**	(288.6)	**(386.9)**	(289.5)
Net assets		**590.8**	593.4	**586.6**	590.7
Capital and reserves					
Share capital	29	**6.1**	6.1	**6.1**	6.1
Share premium		**7.5**	6.7	**7.5**	6.7
Capital redemption reserve		**1.8**	1.8	**1.8**	1.8
Hedging reserve		**(4.4)**	(4.8)	**(4.4)**	(4.8)
Revaluation reserve		**248.4**	295.1	**239.2**	286.2
Retained earnings		**331.4**	288.5	**336.4**	294.7
Total equity		**590.8**	593.4	**586.6**	590.7

1 The company prior period comparatives have been restated for a non-cash adjustment in respect of the treatment of goodwill (see note 1).

The company's profit after tax for the period was £18.1 million (2019: £64.5 million).

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

Patrick Dardis
Chief Executive

Michael Owen
Chief Financial Officer

3 June 2020

The notes on pages 76 to 117 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 30 March 2020

	Notes	Group 2020 £m	Group 2019 £m	Company 2020 £m	Company 2019 £m
Operating activities					
Net cash generated from operations	32	**72.5**	69.2	**71.1**	56.3
Tax paid		**(13.5)**	(9.2)	**(13.0)**	(9.0)
Net cash flow from operating activities		**59.0**	60.0	**58.1**	47.3
Investing activities					
Proceeds from disposal of property and equipment		**1.0**	1.3	**0.9**	1.3
Purchases of property, equipment and lease premiums[1]	17	**(32.7)**	(33.9)	**(32.5)**	(32.1)
Business combinations, net of cash acquired	13	**(35.3)**	(25.3)	**(15.3)**	(6.9)
Right-of-use assets acquired		**(0.2)**	–	**(0.2)**	–
Acquisition of a subsidiary, net of cash acquired		–	–	**(20.1)**	(18.4)
Net cash used in investing activities		**(67.2)**	(57.9)	**(67.2)**	(56.1)
Financing activities					
Interest paid		**(8.6)**	(5.1)	**(8.2)**	(5.1)
Issued equity		–	0.3	–	0.3
Equity dividends paid	14	**(10.5)**	(9.9)	**(10.5)**	(9.9)
Payments of principal portion of lease liabilities		**(8.1)**	–	**(7.3)**	–
Repayment of borrowings		**(8.5)**	(12.1)	**(8.5)**	(1.5)
Proceeds from borrowings		**36.5**	26.0	**36.5**	26.0
Net cash flow used in financing activities		**0.8**	(0.8)	**2.0**	9.8
(Decrease)/increase in cash		**(7.4)**	1.3	**(7.1)**	1.0
Cash at the beginning of the period		**8.5**	7.2	**8.2**	7.2
Cash at the end of the period		**1.1**	8.5	**1.1**	8.2

1 In the current period, in accordance with IFRS 16, there were no investments in lease premiums.

The notes on pages 76 to 117 form part of these financial statements.

Group statement of changes in equity

At 30 March 2020

	Notes	Share capital[1] £m	Capital redemption reserve £m	Hedging reserve £m	Revaluation reserve £m	Retained earnings £m	Total equity £m
At 2 April 2018		**11.8**	**1.8**	**(5.2)**	**273.3**	**267.5**	**549.2**
Total comprehensive income							
Profit for the period		–	–	–	–	31.5	31.5
Other comprehensive income							
Unrealised gain on revaluation of property	17	–	–	–	25.3	–	25.3
Remeasurement of retirement benefit schemes	26	–	–	–	–	(1.2)	(1.2)
Fair value movement of interest rate swaps	24	–	–	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
Total comprehensive income		–	–	0.4	21.8	30.6	52.8
Transactions with owners recorded directly in equity							
Share capital issued		1.0	–	–	–	–	1.0
Dividends paid on equity shares	14	–	–	–	–	(9.9)	(9.9)
Share based payments	30	–	–	–	–	0.3	0.3
		1.0	–	–	–	(9.6)	(8.6)
At 1 April 2019		**12.8**	**1.8**	**(4.8)**	**295.1**	**288.5**	**593.4**
Impact of IFRS 16 transition	2	–	–	–	(33.6)	34.0	0.4
At 2 April 2019 (restated)		**12.8**	**1.8**	**(4.8)**	**261.5**	**322.5**	**593.8**
Total comprehensive income							
Profit for the period		–	–	–	–	19.3	19.3
Other comprehensive income							
Unrealised loss on revaluation of property	17	–	–	–	(9.3)	–	(9.3)
Remeasurement of retirement benefit schemes	26	–	–	–	–	(0.7)	(0.7)
Fair value movement of interest rate swaps	24	–	–	0.4	–	–	0.4
Tax on above components of other comprehensive income	12	–	–	–	(3.8)	0.7	(3.1)
		–	–	0.4	(13.1)	–	(12.7)
Total comprehensive income		–	–	0.4	(13.1)	19.3	6.6
Transactions with owners recorded directly in equity							
Share capital issued		0.8	–	–	–	–	0.8
Dividends paid on equity shares	14	–	–	–	–	(10.5)	(10.5)
Share based payments	30	–	–	–	–	0.1	0.1
Tax on share based payments	25	–	–	–	–	(0.3)	(0.3)
Movement in shares held by The Ram Brewery Trust II		–	–	–	–	0.3	0.3
		0.8	–	–	–	(10.4)	(9.6)
At 30 March 2020		**13.6**	**1.8**	**(4.4)**	**248.4**	**331.4**	**590.8**

1 Total share capital comprises the nominal value of the share capital issued and fully paid of £6.1 million (2019: £6.1 million) and the share premium account of £7.5 million (2019: £6.7 million). Share capital issued in the period comprises the nominal value of £nil (2019: £nil) and share premium of £0.8 million (2019: £1.0 million).

The notes on pages 76 to 117 form part of these financial statements.

Parent company statement of changes in equity

At 30 March 2020

	Notes	Share capital[1] £m	Capital redemption reserve £m	Hedging reserve £m	Revaluation reserve £m	Restated retained earnings[2] £m	Restated total equity[2] £m
At 2 April 2018		**11.8**	**1.8**	**(5.2)**	**264.4**	**224.5**	**497.3**
Restatement in respect of goodwill	1	–	–	–	–	16.2	16.2
At 2 April 2018 (restated)		**11.8**	**1.8**	**(5.2)**	**264.4**	**240.7**	**513.5**
Total comprehensive income							
Profit for the period		–	–	–	–	64.5	64.5
Other comprehensive income							
Unrealised gain on revaluation of property	17	–	–	–	25.3	–	25.3
Remeasurement of retirement benefit schemes	26	–	–	–		(1.2)	(1.2)
Fair value movement of interest rate swaps	24	–	–	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
Total comprehensive income		–	–	0.4	21.8	63.6	85.8
Transactions with owners recorded directly in equity							
Share capital issued		1.0	–	–	–	–	1.0
Dividends paid on equity shares	14	–	–	–	–	(9.9)	(9.9)
Share based payments	30	–	–	–	–	0.3	0.3
		1.0	–	–	–	(9.6)	(8.6)
At 1 April 2019 (restated)		**12.8**	**1.8**	**(4.8)**	**286.2**	**294.7**	**590.7**
Impact of IFRS 16 transition	2	–	–	–	(33.6)	34.0	0.4
At 2 April 2019 (restated)		**12.8**	**1.8**	**(4.8)**	**252.6**	**328.7**	**591.1**
Total comprehensive income							
Profit for the period		–	–	–	–	18.1	18.1
Other comprehensive income							
Unrealised loss on revaluation of property		–	–	–	(9.6)	–	(9.6)
Remeasurement of retirement benefit schemes	26	–	–	–	–	(0.7)	(0.7)
Fair value movement of interest rate swaps	24	–	–	0.4	–	–	0.4
Tax on above components of other comprehensive income	12	–	–	–	(3.8)	0.7	(3.1)
		–	–	0.4	(13.4)	–	(13.0)
Total comprehensive income		–	–	0.4	(13.4)	18.1	5.1
Transaction with owner recorded directly in equity							
Share capital issued		0.8	–	–	–	–	0.8
Dividends paid on equity shares	14	–	–	–	–	(10.5)	(10.5)
Share based payments	30	–	–	–	–	0.1	0.1
Tax on share based payments	25	–	–	–	–	(0.3)	(0.3)
Movement in shares held by The Ram Brewery Trust II		–	–	–	–	0.3	0.3
		0.8	–	–	–	(10.4)	(9.6)
At 30 March 2020		**13.6**	**1.8**	**(4.4)**	**239.2**	**336.4**	**586.6**

1 Total share capital comprises the nominal value of the share capital issued and fully paid £6.1 million (2019: £6.1 million) and the share premium account of £7.5 million (2019: £6.7 million). Share capital issued in the period comprises the nominal value of £nil (2019: £nil) and share premium of £0.8 million (2019: £1.0 million).

2 The company prior period comparatives have been restated for a non-cash adjustment in respect of the treatment of goodwill (see note 1).

The notes on pages 76 to 117 form part of these financial statements.

Notes to the financial statements

For the 52 weeks ended 30 March 2020

1. General information

The group and parent company financial statements of Young & Co.'s Brewery, P.L.C. for the period ended 30 March 2020 were authorised for issue by the board of directors on 3 June 2020. 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 32.

The current period and prior period relate to the 52 weeks ended 30 March 2020 and the 52 weeks ended 1 April 2019 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 32. In response to coronavirus and the closure of all of the group's pubs, management has taken actions to mitigate the consequential and significant impact on both profit and cash flow of this closure. These actions include reducing the group's cash outflows in non-essential areas, accessing some of the government's support packages in order to safeguard employment, agreeing that no final dividend will be declared or paid for 2020 and strengthening both short-term and long-term financing. A number of these actions were taken post-year-end and are therefore not reflected in the financial statements at 30 March 2020.

At 30 March 2020, the group had cash of £1.1 million and secured borrowing facilities of £235.0 million, of which £199.2 million was drawn down and of which £50.0 million expires in March 2021. Since that date, further financing has been accessed through the CCFF, whereby £30.0 million of commercial paper with a maturity date of May 2021 has been secured, alongside a new revolving credit facility of £20.0 million with Natwest for an initial period of one year to May 2021. Longer-term, the £50.0 million term loan due to expire in March 2021 has been replaced with a five-year facility expiring in 2025. As at the date of approval of these financial statements, the group has cash of £4.7 million and £285.0 million of funds and committed facilities from its lending banks, private placement lenders and under the CCFF. Of these, £235.0 million is available for at least 12 months and £228.0 million is drawn down. In addition, the group has access to further funding under the CCFF should it be required.

The group has also considered the effects of its latest forecasts on its compliance with bank covenants, which are tested each quarter on a twelve month rolling basis. In anticipation of covenant breaches arising due to the pub closures, the group has agreed with its lending banks that the financial covenants have been replaced by a minimum debt headroom covenant, requiring the group to leave £20.0 million of its available facilities undrawn, until the quarter ending June 2021.

The group has modelled several scenarios surrounding closure and disruption periods as a result of coronavirus in its cash flow forecasts for the coming year. A base case scenario includes reopening some pubs from August 2020, with significantly lower activity levels over the next eight months. More severe scenarios have been modelled, in which either the pubs remain closed or reopen and are then forced to close again. Under the base case, there is headroom under the revised covenants through to June 2021 and there would be no need to access further debt under the CCFF. However, under a more severe scenario where pubs remain closed for longer or initial trade is weaker, we would still comply with revised covenants to 31 May 2021 but may look to access the CCFF further. The Bank of England's standard terms for the CCFF state that the Bank reserves the right, at its sole discretion, not to provide further funds under the CCFF. The Directors note that this could represent a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern. We have discussed this matter with the Bank of England and note that this is the Bank's standard approach to all of its lending facilities and that HM Treasury and the Bank of England have publicly committed to keeping the CCFF open until at least March 2021. On this basis, the board of directors believes that further liquidity under the CCFF would be available to the group should it be required.

Whilst there is no material uncertainty about the group's ability to comply with the revised banking covenants over the next 12 months, those covenants revert to the group's original financial covenants for the 30 June 2021 covenant test. Under the base case scenario, the group expects to comply with covenants at that date but a more severe scenario under which pubs remain closed for longer, or where trading once reopened is worse than forecast, could result in a breach of those covenants at that date. Given the uncertainty over both the timing of the government's lifting of pub closures and the extent of restrictions on the group's ability to trade, including social distancing measures, the compliance with banking covenants beyond 12 months from these financial statements for the 30 June 2021 test date and thereafter is a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern. The group remains in regular dialogue with its lending banks and, should such a scenario arise, the group would expect to discuss potential remedies with its banks, including an extension of the covenant changes agreed already, well in advance of June 2021.

Based on these forecasts and sensitivities, the directors are confident that, with the cash conservation plans in place and the debt structure available, there are sufficient financial resources to meet all liabilities as they fall due and comply with all revised bank covenants for at least twelve months from the date of approval of these financial statements. Accepting the two material uncertainties that may cast significant doubt about the group's ability to continue as a going concern, relating to the ability to access further funds under the CCFF and compliance with banking covenants beyond the first 12 months, the board has a reasonable expectation that

the group is able to manage its business risks and to continue in operational existence for at least that period. Accordingly, the board continues to adopt the going concern basis in preparing the consolidated financial statements.

The financial statements do not contain the adjustments that would result if the company was unable to continue as a going concern.

Prior period adjustment

There are no prior period adjustments in respect of group reporting. The comparative figures of the company accounts for the 52 weeks ended 1 April 2019 have been restated for a non-cash prior period adjustment. In the 52 weeks to 2 April 2018, the business and assets of Geronimo Inns Limited were transferred to Young's at book value. The goodwill continued to be recognised on group consolidation only. The goodwill should have been transferred into Young's, alongside the assets, at that point in time. The impact on the prior period company accounts for the comparative period ended 2 April 2018 and the opening balances at 2 April 2019 are an increase in non-distributable retained earnings of £16.2 million and an increase in goodwill of £16.2 million. There was no impact on cashflow, profit or earnings per share.

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 16: 'Leases', which replaced IAS 17, was effective for the financial period that started on 2 April 2019. IFRS 16 removed the distinction between operating leases and finance leases for the lessee and resulted in most leases being recognised on the balance sheet as a lease liability and a right-of-use asset. The group has applied the modified retrospective method of adoption; under this method, the standard has been applied retrospectively with the cumulative effect of initially applying the standard recognised in retained earnings at the date of initial application, being 2 April 2019.

The group has considered its entire lease portfolio which relates to land, buildings, vehicles and IT equipment. Before the adoption of IFRS 16, the group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all the risks and rewards incidental to ownership of the leased asset to the group; otherwise it was classified as an operating lease. There is no change to lessor accounting.

For leases previously classified as operating leases, the leased property was not previously capitalised and the lease payments were recognised as rent expense in the income statement on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under prepayments and trade and other payables, respectively. Lease premiums paid on inception of a new lease were capitalised and amortised over the length of the lease. Under IFRS 16, the group has recognised a new lease liability equal to the present value of the remaining lease payments discounted using an incremental borrowing rate for previously classified operating leases. A right-of-use asset has been recognised equal to the lease liability, adjusted for any initial direct costs, prepaid and accrued lease payments and any lease premiums. The income statement now includes a depreciation charge for the right-of-use asset and an interest expense on the lease liability. This replaces the previous cost incurred for operating leases that were expensed within operating expenses on a straight-line basis over the term of the lease. Variable lease payments, where the group's lease expense is linked to turnover or other performance criteria, continue to be recognised as rent within operating expenses.

For leases previously classified as finance leases, the leases were capitalised at the commencement of the lease at the inception date fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. Again, a right-of-use asset has been recognised equal to the lease liability adjusted for any initial direct costs, prepaid and accrued lease payments. The right-of-use asset has further been adjusted by the fair value of the lease assets at the date of transition, previously capitalised within property and equipment, which is deemed to be the cost.

The impact on deferred tax has been considered in accordance with the applicable accounting standard and no material adjustment is required. There is also no effect on net cash flow. The principal lease payments and interest are separately disclosed within the cash flow statement, no longer forming part of operating profit. This is presentational only.

The group has applied the following practical expedients permitted under the modified retrospective approach:

- Excluded leases for measurement and recognition for leases where the term ends within 12 months from the date of initial application;
- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics;

Notes to the financial statements continued

For the 52 weeks ended 30 March 2020

2. Basis of preparation continued

- Relied on its assessment of whether leases are onerous immediately prior to the date of initial application as an alternative to performing an impairment review, and adjusted the right-of-use asset accordingly on transition; and
- Used hindsight to determine the lease term if the contract contains options to extend or terminate.

The discount rate used in the calculation of the lease liability involves estimation. Discount rates are based on estimates of the incremental borrowing rates, dependent on the nature of the lease terms and conditions. The weighted average incremental borrowing rate applied at the date of transition was 3.4%.

The cumulative impact of the changes made to the group balance sheet as at 2 April 2019 for the adoption of IFRS 16 is summarised as follows:

	Group			Company		
	Pre-IFRS 16 at 1 April 2019 £m	IFRS 16 adjustment £m	Post-IFRS 16 at 2 April 2019 £m	Restated pre-IFRS 16[1] at 1 April 2019 £m	IFRS 16 adjustment £m	Restated post-IFRS 16[1] at 2 April 2019 £m
Non-current assets						
Goodwill and intangible assets[2]	33.5	(3.9)	**29.6**	18.1	–	**18.1**
Property and equipment[3]	807.0	(56.4)	**750.6**	777.7	(56.4)	**721.3**
Right-of-use assets	–	148.2	**148.2**	–	125.8	**125.8**
Lease premium	12.9	(12.9)	–	4.8	(4.8)	–
Other non-current assets	7.4	–	**7.4**	43.2	–	**43.2**
Total non-current assets	**860.8**	**75.0**	**935.8**	**843.8**	**64.6**	**908.4**
Current assets						
Lease premium	0.7	(0.7)	–	0.3	(0.3)	–
Trade and other receivables	8.3	(1.3)	**7.0**	24.5	(1.1)	**23.4**
Other current assets	12.2	–	**12.2**	11.6	–	**11.6**
Total current assets	**21.2**	**(2.0)**	**19.2**	**36.4**	**(1.4)**	**35.0**
Current liabilities						
Lease liabilities	–	(5.0)	**(5.0)**	–	(5.0)	**(5.0)**
Trade and other payables	(35.9)	1.2	**(34.7)**	(39.9)	0.7	**(39.2)**
Other current liabilities	(15.2)	–	**(15.2)**	(14.8)	–	**(14.8)**
Total current liabilities	**(51.1)**	**(3.8)**	**(54.9)**	**(54.7)**	**(4.3)**	**(59.0)**
Non-current liabilities						
Lease liabilities	(0.6)	(69.0)	**(69.6)**	(0.6)	(58.7)	**(59.3)**
Provisions and deferred income	(0.5)	0.2	**(0.3)**	(0.5)	0.2	**(0.3)**
Other non-current liabilities	(236.4)	–	**(236.4)**	(233.7)	–	**(233.7)**
Total non-current liabilities	**(237.5)**	**(68.8)**	**(306.3)**	**(234.8)**	**(58.5)**	**(293.3)**
Net assets	**593.4**	**0.4**	**593.8**	**590.7**	**0.4**	**591.1**
Net debt	**(163.6)**	**(74.0)**	**(237.6)**	**(163.9)**	**(63.7)**	**(227.6)**
Equity						
Retained earnings[4]	288.5	34.0	**322.5**	294.7	34.0	**328.7**
Other equity accounts[4]	304.9	(33.6)	**271.3**	296.0	(33.6)	**262.4**
Total equity	**593.4**	**0.4**	**593.8**	**590.7**	**0.4**	**591.1**

1 The company prior period comparatives have been restated for a non-cash adjustment in respect of the treatment of goodwill (see note 1).

2 The £3.9 million transition adjustment related to the transfer of operating lease intangible assets into right-of-use assets. There was no impact on goodwill.

3 Property and equipment has been adjusted to transfer the carrying value of long leasehold pubs into the right-of-use assets.

4 The equity adjustment transfers revaluation surplus from long leasehold sites into retained earnings as the cost model is being applied to the right-of-use assets going forwards.

Impact on transition

The lease liabilities as at 2 April 2019 can be reconciled to the operating lease commitments as of 1 April 2019 as follows:

	Group £m	Company £m
Minimum lease payments under operating leases at 1 April 2019	**(120.3)**	**(86.9)**
Weighted average incremental borrowing rate at 2 April 2019	3.4%	3.4%
Discounted lease commitments at 2 April 2019	**(87.8)**	**(57.7)**
Less:		
Adjustment in respect of variable lease payments	4.2	4.2
Adjustment in respect of outstanding rent reviews	5.7	5.7
Adjustment in respect of different treatment of termination options and other changes	4.5	4.5
Add:		
Commitments relating to leases previously classified as finance leases	(1.2)	(1.2)
Transfer in from subsidiary to parent	–	(19.8)
Lease liability recognised as at 2 April 2019	**(74.6)**	**(64.3)**
Of which:		
Current lease liability	(5.0)	(5.0)
Non-current lease liability	(69.6)	(59.3)
Lease liability recognised as at 2 April 2019	**(74.6)**	**(64.3)**

IFRIC 23, Uncertainty over Income Tax treatments, was effective from 2 April 2019. Adoption did not have a material impact on the financial statements.

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:

New Standard	Accounting Standard	Effective date
IFRS 3 (amended)	Business Combinations	1 January 2020
IAS 1 (amended)	Presentation of Financial Statements	1 January 2020
IFRS 7 (amended)	Financial Instruments: Disclosures	1 January 2020
IAS 8 (amended)	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
IAS 1 (amended)	Presentation of Financial Statements	1 January 2022

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

Notes to the financial statements continued

For the 52 weeks ended 30 March 2020

3. Summary of significant accounting policies continued

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) Adjusting items (previously exceptional items)

Adjusting items, previously referred to as exceptional items, are separately disclosed in order to draw them to the attention of the reader of the financial statements. This is due either to their material and non-recurring nature or that, in management's judgement, they are required to be disclosed separately in order to show more accurately 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. Prior period comparatives have not been impacted by the change in accounting policy.

(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 adjusting 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.

(f) Property and equipment

Freehold 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 adjusting 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.

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 buildings.

Useful lives:	
Freehold buildings	50 years
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(h)).

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) Asset held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets are not depreciated or amortised while they are classified as held for sale.

(h) Impairment of assets

The carrying values of investments, property, equipment and right-of-use assets 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.

(i) Right-of-use assets

The group recognises a right-of-use assets at the commencement date of a new lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of a right-of-use asset includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Leasehold premiums and lease intangible assets form part of the initial direct costs. Previously these were classified separately on the face of the balance sheet and were amortised on a straight-line basis over the lease term. Unless the group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment under the group's accounting policy for impairment.

(j) Leases

(1) Where the group is the lessee

At inception of a contract, the group considers whether the contract is, or contains, a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At the commencement date of a new lease, the group recognises a lease liability measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include payments of penalties for terminating a lease or payments for exercising an extension option, if the lease term reflects the group exercising the option to terminate or extend the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a change in the amounts expected to be payable under a residual value guarantee, a change in variable lease payments based on an index or rate, a modification that is not accounted for as a separate lease, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Notes to the financial statements continued

For the 52 weeks ended 30 March 2020

3. Summary of significant accounting policies continued

The group has taken the recognition exemption for short-term leases and low-value leases. Expenses from such leases have been recognised in the income statement on a straight line basis over the lease term.

This policy is applied to contracts entered into, or modified, on or after 2 April 2019.

(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.

(k) 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.

(l) 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.

(m) 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.

(n) 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.

(o) 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.

(p) 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.

(q) 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.

(r) 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.

(s) 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.

Notes to the financial statements continued

For the 52 weeks ended 30 March 2020

3. Summary of significant accounting policies continued

(t) 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 30). 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 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 30). 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.

(u) 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.

(v) 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.

(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.

Under IFRS 16, effective from 2 April 2019, onerous lease provisions were accounted for within the right-of-use asset, taking advantage of a practical expedient available on transition. The above policy relates to prior year comparatives only.

(x) Government grant

Government grants are recognised in respect of the Coronavirus Job Retention Scheme.

The grant is accounted for as a deduction from the related expense over the period necessary to match with the associated costs, for which they are intended to compensate, on a systematic basis.

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.

Key estimates

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 notes 13 and 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(h). 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(h) 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(r) and 26.

Key judgements

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 tax authority will not accept a tax treatment in a previously filed or future tax return. 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(o), 12 and 25.

(g) Leases

IFRS 16 defines the lease term as the non-cancellable period of a lease together with the options to extend or terminate a lease, if the lessee were reasonably certain to exercise that option. Where a lease includes the option for the group to terminate the lease term, the group makes a judgement as to whether it is reasonably certain that the option will be taken. This will take into account the length of time remaining before the option is exercisable, current trading, future trading forecasts as to the ongoing profitability of the asset and the level and type of planned future capital investment.

Notes to the financial statements continued

For the 52 weeks ended 30 March 2020

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 adjusting items for the purpose of deciding on the allocation of resources and assessing performance.

The group has two operating segments: managed houses and Ram Pub Company. The managed house segment operates pubs. Revenue is derived from sales of drink, food and accommodation. The Ram Pub Company consists of pubs owned or leased by the company and leased or subleased to third parties. Revenue is derived from rents payable by, and sales of drink made to, tenants. Unallocated relates to head office income and costs and unlicensed properties.

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

2020	*Managed houses £m*	*Ram Pub Company £m*	*Segments total £m*	Unallocated £m	Total £m
Sales of goods	**284.5**	**8.8**	**293.3**	**–**	**293.3**
Accommodation sales	**14.0**	**–**	**14.0**	**–**	**14.0**
Total revenue from contracts with customers	**298.5**	**8.8**	**307.3**	**–**	**307.3**
Rental income	**0.6**	**3.3**	**3.9**	**0.4**	**4.3**
Total revenue recognised	**299.1**	**12.1**	**311.2**	**0.4**	**311.6**
Adjusted operating profit/(loss)	**59.9**	**4.3**	**64.2**	**(17.7)**	**46.5**
Adjusting items	**(7.0)**	**(1.4)**	**(8.4)**	**(0.2)**	**(8.6)**
Operating profit/(loss)	**52.9**	**2.9**	**55.8**	**(17.9)**	**37.9**
2019					
Sales of goods	276.4	9.7	286.1	–	286.1
Accommodation sales	13.3	–	13.3	–	13.3
Total revenue from contracts with customers	289.7	9.7	299.4	–	299.4
Rental income	0.6	3.3	3.9	0.4	4.3
Total revenue recognised	290.3	13.0	303.3	0.4	303.7
Operating profit/(loss) before exceptional items	61.5	5.0	66.5	(18.0)	48.5
Operating exceptional items	(0.9)	(0.5)	(1.4)	(2.5)	(3.9)
Operating profit/(loss)	60.6	4.5	65.1	(20.5)	44.6

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

	2020 £m	2019 £m
Operating profit	**37.9**	44.6
Finance costs	**(8.6)**	(5.0)
Finance charge pension obligations	**(0.2)**	(0.1)
Profit before tax	**29.1**	39.5

Balance sheet

2020	Managed houses £m	Ram Pub Company £m	Segments total £m	Unallocated £m	Total £m
Segment assets	**898.4**	**67.9**	**966.3**	**13.4**	**979.7**
Deferred tax assets	–	–	–	**8.3**	**8.3**
Cash	–	–	–	**1.1**	**1.1**
Asset held for sale	–	**0.5**	**0.5**	–	**0.5**
Total assets	**898.4**	**68.4**	**966.8**	**22.8**	**989.6**
Other segmental information					
Depreciation of property, equipment and right-of-use assets (note 17, note 18)	**(29.8)**	**(2.3)**	**(32.1)**	**(1.0)**	**(33.1)**
Additions to non-current assets[1]	**79.7**	**3.8**	**83.5**	**0.2**	**83.7**
Net movement in property valuation through income statement (note 9, note 17)	**(3.9)**	**(1.3)**	**(5.2)**	**(0.1)**	**(5.3)**

2019	Managed houses £m	Ram Pub Company £m	Segments total £m	Unallocated £m	Total £m
Segment assets	784.5	70.0	854.5	11.6	866.1
Deferred tax assets	–	–	–	7.4	7.4
Cash	–	–	–	8.5	8.5
Total assets	784.5	70.0	854.5	27.5	882.0
Other segmental information					
Depreciation of property and equipment and amortisation of lease premiums	(22.1)	(1.7)	(23.8)	(0.5)	(24.3)
Additions to non-current assets[1]	66.0	8.0	74.0	3.0	77.0
Net movements in property valuation through income statement (note 9, note 17)	(0.1)	–	(0.1)	–	(0.1)

1 Non-current assets for this purpose consist of property and equipment, right-of-use assets, goodwill and intangible assets.

6. Revenue

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

	2020 £m	2019 £m
Sales of goods	**293.3**	286.1
Accommodation sales	**14.0**	13.3
Total revenue from contracts with customers	**307.3**	299.4
Rental income	**4.3**	4.3
Total revenue recognised	**311.6**	303.7

Notes to the financial statements continued

For the 52 weeks ended 30 March 2020

7. Operating costs before adjusting items

	2020 £m	2019 £m
Changes in inventories of finished goods and raw materials	**0.4**	(0.7)
Raw materials, consumables and finished goods used	**71.0**	70.6
Employment costs (note 8(a))	**102.3**	96.1
Depreciation of properties (note 17)	**25.6**	23.4
Depreciation of right-of-use assets (note 28)	**7.5**	0.9
Expense relating to short-term, low value or variable rent payments (note 28)	**0.4**	–
Other operating costs	**57.9**	64.9
	265.1	255.2
Other operating costs include:		
Operating lease rentals: minimum lease payments		7.1
sublease payments		0.8
		7.9
Auditor's remuneration in respect of audit of the group financial statements	**0.2**	0.2

8. Employment

(a) Costs and employee numbers

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Wages and salaries	**93.1**	88.2	**93.0**	87.0
Social security	**7.2**	6.6	**7.2**	6.5
Pension and health care schemes	**2.0**	1.3	**2.0**	1.3
Employment costs	**102.3**	96.1	**102.2**	94.8

The above employment costs are stated gross of credit amounts recognised in respect of the Coronavirus Job Retention Scheme. Credits of £1.4 million (2019: £nil) have been recognised within operating costs as permitted by IAS 20.

The group's and the company's average monthly number of employees was 4,763 and 4,742 respectively (2019 group and company: 4,735 and 4,385 respectively). The number of employees at the period end was 5,145 and 4,894 respectively (2019 group and company: 4,874 and 4,524 respectively).

The group's and the company's average monthly number of operational employees was 4,632 and 4,611 respectively (2019 group and company: 4,602 and 4,253 respectively). The number of operational employees at the period end was 5,016 and 4,765 respectively (2019 group and company: 4,740 and 4,391 respectively).

The group's and the company's average monthly number of administration employees was 132 (2019 group and company: 133 and 132 respectively). The number of administration employees at the period end was 129 (2019 group and company: 134 and 133 respectively).

(b) Directors' emoluments

	Basic salary and fees 2020 £000	Basic salary and fees 2019 £000	Benefits[i] 2020 £000	Benefits[i] 2019 £000	Bonus[ii] 2020 £000	Bonus[ii] 2019 £000	Total excluding pension costs 2020 £000	Total excluding pension costs 2019 £000
Stephen Goodyear[iii,iv]	**95**	93	**2**	2	–	–	**97**	95
Patrick Dardis[iii]	**457**	444	**1**	1	–	383	**458**	828
Mike Owen[v]	**169**	–	**1**	–	–	–	**170**	–
Simon Dodd[vi]	**131**	–	**10**	–	–	–	**141**	–
Torquil Sligo-Young[iii]	**164**	160	**22**	19	–	112	**186**	291
Tracy Dodd	**224**	218	**3**	–	–	138	**227**	356
Roger Lambert	**42**	41	**–**	–	–	–	**42**	41
Trish Corzine	**42**	41	**–**	–	–	–	**42**	41
Nick Miller	**42**	41	**–**	–	–	–	**42**	41
Ian McHoul	**42**	41	**–**	–	–	–	**42**	41
Steven Robinson[iii,vii]	**–**	226	**–**	1	–	–	**–**	227
Total	**1,408**	1,305	**39**	23	–	633	**1,447**	1,961

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 30 but excluding the cash value of any 'matching' shares (as explained in that note). In 2019, the company decided to provide the bonuses for FY2018/19 in shares – the cash value of the 'matching' shares awarded to Patrick Dardis was £191,250, to Torquil Sligo-Young was £56,231 and to Tracy Dodd was £13,773.

iii Note 8(e) on page 90 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 Mike Owen was appointed to the board on 9 September 2019.

vi *Simon Dodd was appointed to the board on 2 September 2019.*

vii Steven Robinson 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 26. No director was accruing any defined benefit under the scheme as at 30 March 2020. 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 30 March 2020, each of Mike Owen, Simon Dodd and Tracy Dodd was a member of the scheme and accruing retirement benefits under it. For the period, the company paid the following contributions into the scheme for them in respect of their qualifying services: for Mike Owen – £5,817 (2019: £nil), for Simon Dodd – £5,817 (2019: £nil) and for Tracy Dodd – £9,972 (2019: £8,040). In the prior period, Steven Robinson (who resigned from the board on 11 December 2018) was also a member of the scheme; in respect of his qualifying service, the company paid contributions of £6,700 into the scheme for him – no contributions were made in respect of the current period.

Post retirement health care

The company bears the cost of post retirement health care premia for certain employees and ex-employees (see note 26).

(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, 3,060 A shares were released to scheme members (2019: 3,572). As at 30 March 2020, accrued entitlements effectively remain in respect of 712 A shares (2019: 3,772 A shares).

Notes to the financial statements continued

For the 52 weeks ended 30 March 2020

8. Employment continued

(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, generally 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.

Of the directors who served throughout or during the period, only the following have an entitlement to A shares under the scheme:

	At 1 April 2019	Granted	Exercised	Lapsed	At 30 March 2020	Exercise price (pence per share)[i]	Exercisable from	Exercisable to	Gains made on exercise of share options (£)[ii]
Torquil Sligo-Young	933	–	933	–	–	964	01.09.19	28.02.20	6,400
	659	–	–	–	659	1,364	01.09.21	28.02.22	–
Tracy Dodd	1,013	–	–	–	1,013	1,066	01.09.20	28.02.21	–

i The exercise prices of 964p per share, 1,364p per share and 1,066p 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 1,205p per share, 1,705p per share and 1,332p per share respectively.

ii The figure appearing in the 'Gains made on exercise of share options' column is 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 Stephen Goodyear, Patrick Dardis and Steven Robinson (who resigned from the board on 11 December 2018) exercised a share option in the prior period – each such option was in respect of 888 A shares and had an exercise price of 1,013p per share – in respect of that exercise, each of those individuals made a gain of £6,189.

9. Adjusting items

	2020 £m	2019 £m
Amounts included in operating profit:		
Upward movement on the revaluation of properties[1] (note 17)	1.7	3.4
Downward movement on the revaluation of properties[1] (note 17)	(7.0)	(3.5)
Tenant compensation[2]	(1.7)	(0.5)
Acquisition costs[3]	(1.0)	(1.2)
Net (loss)/profit on disposal of properties[4]	(0.6)	0.4
Guaranteed minimum pension equalisation[5] (note 26)	–	(2.5)
	(8.6)	(3.9)
Tax on adjusting items:		
Tax attributable to adjusting items	(1.6)	0.1
Total adjusting items after tax	(10.2)	(3.8)

1 The movement on the revaluation of properties is a non-cash item that relates to the revaluation exercise that was completed at the period end date. The revaluation was conducted at an individual pub level and identified an upward movement of £1.7 million (2019: £3.4 million) representing reversals of previous impairments recognised in the income statement, and a downward movement of £7.0 million (2019: £3.5 million), representing downward movements in excess of amounts recognised in equity. These resulted in a net downward movement of £5.3 million (2019: £0.1 million net downward) which has been recognised in the income statement. The downward movement for the period ended 30 March 2020 was split between land and buildings of £5.3 million (2019: £0.1 million downward) and fixtures and fittings of £nil (2019: £nil). See note 5 for segmental information and note 17 for information on the revaluation of properties.

2 Tenant compensation of £1.7 million was paid to the previous tenants of the New Inn (Ealing), White Bear (Tunbridge Wells), Constitution (Camden) and an unlicensed property (Wandsworth) to terminate their lease agreements early. During the prior period, the group paid tenant compensation of £0.5 million to the previous tenants of the Bear (Cobham) and the Bayee Village (Wimbledon) to terminate their lease agreements early.

3 The acquisition costs related to professional fees, stamp duty and stamp duty land tax arising on the acquisition of Spring Pubs Limited, a group of 5 sites acquired on 12 March 2020, along with the White Bear (Tunbridge Wells) and the Constitution (Camden). The prior period acquisition costs related 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 included legal and professional fees and stamp duty land tax (note 13).

4 The loss on disposal of properties related to the difference between cash, less disposal costs, received from the lease expiry of the Builder's Arms (Chelsea), termination of lease of the Alphabet (Islington) and the sale of Bristol Ram (Bristol) and the carrying value of their assets, including goodwill, at the dates of disposal. The prior year profit on sale of properties related 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.

5 During the prior period a cost of £2.5 million related to the Guaranteed Minimum Pension (GMP) which was 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 had been made in the prior financial period. Although a number of methodologies could have been used to determine the impact, the group adopted method C2 to identify its best estimate of the additional liabilities. These were charged as a past service cost in the income statement as an adjusting item since the liabilities related to employee service between 1990 and 1997 and they had no link to the prior period business performance. The increase in liabilities (note 26) as at 1 April 2019 was estimated at £2.5 million, assessed using market conditions at the date of the ruling as required by IAS 19.

10. Other financial measures

The table below shows how adjusted group EBITDA, operating profit and profit before tax have been arrived at. They exclude adjusting 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 adjusting items can be seen in note 9. All the results below are from continuing operations.

	Post-IFRS 16 2020			2019		
	Unadjusted £m	Adjusting items £m	Adjusted £m	Unadjusted £m	Adjusting items £m	Adjusted £m
EBITDA	**76.3**	**3.3**	**79.6**	69.0	3.8	72.8
Depreciation and net movement on the revaluation of properties	**(38.4)**	**5.3**	**(33.1)**	(23.5)	0.1	(23.4)
Amortisation of lease premiums	**–**	**–**	**–**	(0.9)	–	(0.9)
Operating profit	**37.9**	**8.6**	**46.5**	44.6	3.9	48.5
Net finance costs	**(8.6)**	**–**	**(8.6)**	(5.0)	–	(5.0)
Finance charge for pension obligations	**(0.2)**	**–**	**(0.2)**	(0.1)	–	(0.1)
Profit before tax	**29.1**	**8.6**	**37.7**	39.5	3.9	43.4

The 2020 results have been reported under IFRS 16, whereas the 2019 results have been reported under IAS 17, with no restatement, as permitted by the accounting standard. The 2020 pre-IFRS 16 results, which are provided for comparative purposes only, have been presented on a non-statutory illustrative basis below, excluding the impact of IFRS 16:

	Pre-IFRS 16 2020			2019		
	Unadjusted £m	Adjusting items £m	Adjusted £m	Unadjusted £m	Adjusting items £m	Adjusted £m
EBITDA	**68.5**	**3.3**	**71.8**	69.0	3.8	72.8
Depreciation and net movement on the revaluation of properties	**(31.4)**	**5.3**	**(26.1)**	(23.5)	0.1	(23.4)
Amortisation of lease premiums	**(0.9)**	**–**	**(0.9)**	(0.9)	–	(0.9)
Operating profit	**36.2**	**8.6**	**44.8**	44.6	3.9	48.5
Net finance costs	**(6.1)**	**–**	**(6.1)**	(5.0)	–	(5.0)
Finance charge for pension obligations	**(0.2)**	**–**	**(0.2)**	(0.1)	–	(0.1)
Profit before tax	**29.9**	**8.6**	**38.5**	39.5	3.9	43.4

For further information on the impact of the adoption of IFRS 16 refer to business and financial review on page 23.

11. Finance costs

	2020 £m	2019 £m
Bank loans and overdrafts	**6.1**	5.0
Interest on lease liabilities (note 28)	**2.5**	–
	8.6	5.0

Notes to the financial statements continued

For the 52 weeks ended 30 March 2020

12. Taxation

The major components of income tax expense for the years ended 30 March 2020 and 1 April 2019 are:

Tax charged in the group income statement	2020 £m	2019 £m
Current income tax		
Current tax expense	8.6	9.3
Adjustment in respect of current income tax of prior periods	–	(0.4)
	8.6	8.9
Deferred tax		
Relating to origin and reversal of temporary differences	(0.4)	(0.9)
Change in corporation tax rate	1.6	–
	1.2	(0.9)
Income tax charged in the income statement	9.8	8.0

Deferred tax in the group income statement		
Property revaluation and disposals	1.4	(0.1)
Capital allowances	(1.2)	(0.5)
Retirement benefit schemes	0.6	(0.2)
Share based payments	0.3	0.1
Trade losses	0.1	(0.2)
Deferred tax charged/(credited) in the income statement	1.2	(0.9)

Deferred tax in the group statement of other comprehensive income		
Property revaluation and disposals	(1.5)	3.5
Retirement benefit schemes	(0.1)	(0.3)
Interest rate swaps	0.1	0.1
Change in corporation tax rate	4.6	–
Deferred tax charged to other comprehensive income	3.1	3.3

A reconciliation of the tax expense at the group's effective tax rate to the accounting profit before tax at the statutory tax rate for the periods ended 30 March 2020 and 1 April 2019 respectively is as follows:

	2020 £m	2019 £m
Accounting profit before income tax	29.1	39.5
At the group's statutory income tax rate of 19% (2019: 19%)	5.6	7.5
Tax effects of:		
Expenses not deductible for tax purposes[1]	3.2	1.3
Recognition of property revaluation, rollover claim and other property movements	(0.3)	(0.1)
Non-taxable income	(0.3)	(0.3)
Remeasurement of deferred tax – change in corporation tax rate	1.6	–
Prior period adjustment – current tax	–	(0.4)
Total tax expense	9.8	8.0

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

The deferred tax assets and liabilities at the balance sheet date are calculated at the substantively enacted rate of 19%. Previously, the substantively enacted rate for balances that will be realised or settled after 1 April 2020 was 17%, however on 17 March 2020 a resolution having statutory effect was passed setting the corporation tax rate at 19% from 1 April 2020.

13. Business combinations

Acquisitions in 2020

Spring Pub Company Limited

On 12 March 2020, the group and company acquired the entire issued share capital of Spring Pub Company Limited, a non-listed company incorporated in England and specialising in the operation of pubs. Total cash consideration was £29.9 million, of which £20.1 million was in respect of share capital and £9.8 million was for the freehold of site leased by Spring Pub Company Limited. Spring Pub Company Limited operates five premium managed houses in prime locations throughout Surrey and South West London which complement the group's current pub estate.

The fair values of the identifiable assets and liabilities of Spring Pub Company Limited as at the date of acquisition were:

	Provisional fair value £m
Identifiable assets and liabilities	
Property and equipment (note 17)	24.3
Right-of-use assets (note 18)	15.0
Inventories	0.1
Trade and other receivables	0.5
Trade and other payables	(1.0)
Lease liabilities (note 28)	(8.3)
Deferred tax on fair value adjustment	(4.0)
Net assets	**26.6**
Goodwill	3.3
Cash consideration on acquisition of Spring Pub Company business	**29.9**

The fair value of property and equipment on acquisition was valued externally by Fleurets, independent Chartered Surveyors, taking into account of the properties' highest and best value. The valuation was based on information such as current and historic levels of turnover, gross profit, wages and overheads and resultant EBITDA. The valuers have then applied an appropriate multiplier to the EBITDA.

The group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable terms of the lease relative to market terms.

During the current period, £3.3 million of goodwill was recognised in respect of the acquisition of Spring Pub Company Limited. This was largely generated from deferred tax liabilities which arose on the fair value adjustment of property, equipment and right-of-use assets. None of the goodwill recognised is expected to be deductible for income tax purposes.

The group incurred £0.5 million of costs associated with the acquisition, which have been recorded as adjusting items (note 9).

From the date of acquisition, Spring Pub Company Limited contributed £0.2 million of revenue and £0.1 million of operating loss. If the acquisition had taken place at the beginning of the year, revenue would have increased by £12.2 million and operating profit would have increased by £3.4 million.

Other business combinations

In the current period, the group and the company acquired the White Bear (Tunbridge Wells) and the Constitution (Greenwich) as business combinations for considerations totalling £5.4 million. The aggregated fair value of the identifiable assets and liabilities of the acquired businesses was property and equipment of £5.4 million and inventories of £nil. The group incurred £0.5 million of costs associated with the acquisitions, which have been recorded within operating adjusting items.

From the date of acquisition, the White Bear and the Constitution have contributed £1.2 million of revenue and £nil million to the operating profit of the group. If the acquisition had taken place at the beginning of the year, revenue would have increased by £2.0 million and operating profit would have increased by £0.3 million.

Notes to the financial statements continued

For the 52 weeks ended 30 March 2020

13. Business combinations continued

Acquisitions in 2019

Redcomb Pubs Limited

In the prior period, the group and the company acquired the entire issued share capital of Redcomb Pubs Limited for a 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 net debt on acquisition. The remainder of the working capital acquired had either been utilised or subsequently paid or received. The acquired group consisted 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. Goodwill of £8.8 million was recognised on the acquisition which represented 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 were recorded within operating adjusting items.

In the prior period 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.

Other business combinations

In the prior period, the group and the company acquired the People's Park Tavern (Hackney) and the Plantation (Poole) as business combinations 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 were recorded within operating adjusting items.

In the prior period between the respective dates of acquisition and the balance sheet date, People's Park Tavern and Plantation 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.

Cash flow from business combinations

	2020 £m	2019 £m
Spring Pub Company Limited	**(29.9)**	–
Redcomb Pubs Limited	**–**	(18.4)
Other business combinations	**(5.4)**	(6.9)
Total net cash outflow	**(35.3)**	(25.3)

14. Dividends on equity shares

	2020 pence	2019 pence	2020 £m	2019 £m
Final dividend (previous period)	**10.81**	10.20	**5.3**	5.0
Interim dividend (current period)	**10.57**	9.97	**5.2**	4.9
	21.38	20.17	**10.5**	9.9

The board has decided that it is not appropriate to recommend payment of a final dividend in respect of the period ended 30 March 2020.

15. Earnings per ordinary share

(a) Earnings

	2020 Post-IFRS 16 £m	2020 Pre-IFRS 16[1] £m	2019 £m
Profit attributable to equity shareholders of the parent	**19.3**	20.3	31.5
Adjusting items	**8.6**	8.6	3.9
Tax attributable to above adjustments	**1.6**	1.6	(0.1)
Adjusted earnings after tax	**29.5**	30.5	35.3

	Number	Number	Number
Basic weighted average number of ordinary shares in issue	**49,018,801**	49,018,801	48,941,761
Dilutive potential ordinary shares from outstanding employee share options	**28,901**	28,901	41,753
Diluted weighted average number of shares	**49,047,702**	49,047,702	48,983,514

(b) Basic earnings per share

	Pence	Pence	Pence
Basic	**39.37**	41.41	64.36
Effect of adjusting items	**20.81**	20.81	7.77
Adjusted basic earnings per share	**60.18**	62.22	72.13

(c) Diluted earnings per share

	Pence	Pence	Pence
Diluted	**39.35**	41.39	64.31
Effect of adjusting items	**20.80**	20.80	7.76
Adjusted diluted earnings per share	**60.15**	62.19	72.07

1 The 2020 results have been reported under IFRS 16, whereas the 2019 results have been reported under IAS 17, with no restatement, as permitted by the accounting standard. The 2020 pre-IFRS 16 results, which are provided for comparative purposes only, have been presented on a non-statutory illustrative basis, excluding the impact of IFRS 16.

The basic earnings per share figure is calculated by dividing the profit attributable to equity shareholders of the parent company 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 28,901 (2019: 41,753) dilutive potential shares under the SAYE scheme (see notes 8(e) and 30).

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

16. Goodwill and intangible assets

Goodwill is recognised in respect of the following acquisitions for group and company:

	Group		Company	
	2020 £m	2019 £m	2020 £m	Restated 2019 £m
Geronimo	**18.4**	18.8	**17.0**	17.2
Redcomb Pubs Limited	**8.8**	8.8	**8.7**	–
Spring Pubs Limited	**3.3**	–	–	–
Smiths of Smithfield	**1.1**	1.1	**1.1**	–
580 Limited	**0.9**	0.9	**0.9**	0.9
At 30 March 2020	**32.5**	29.6	**27.7**	18.1

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For the 52 weeks ended 30 March 2020

16. Goodwill and intangible assets continued

	Group			Company		
	Goodwill £m	Operating lease intangible asset £m	Total £m	Restated goodwill £m	Operating lease intangible asset £m	Restated total £m
Cost						
At 2 April 2018 (restated)	**21.5**	**–**	**21.5**	**18.3**	**–**	**18.3**
Acquisitions	9.9	3.9	13.8	–	–	–
At 1 April 2019 (restated)	**31.4**	**3.9**	**35.3**	**18.3**	**–**	**18.3**
Impact of IFRS 16 transition	–	(3.9)	(3.9)	–	–	–
At 2 April 2019 (restated)	**31.4**	**–**	**31.4**	**18.3**	**–**	**18.3**
Acquisitions	3.3	–	3.3	9.8	–	9.8
At 30 March 2020	**34.7**	**–**	**34.7**	**28.1**	**–**	**28.1**
Amortisation						
At 2 April 2018	**1.8**	**–**	**1.8**	**0.2**	**–**	**0.2**
Disposals	–	–	–	–	–	–
At 1 April 2019	**1.8**	**–**	**1.8**	**0.2**	**–**	**0.2**
Disposals	0.4	–	0.4	0.2	–	0.2
At 30 March 2020	**2.2**	**–**	**2.2**	**0.4**	**–**	**0.4**
Carrying amount						
At 2 April 2018 (restated)	19.7	–	19.7	18.1	–	18.1
At 1 April 2019 (restated)	29.6	3.9	33.5	18.1	–	18.1
At 30 March 2020	**32.5**	**–**	**32.5**	**27.7**	**–**	**27.7**

The operating lease intangible asset recognised in the prior year was in respect of Redcomb Pubs Limited.

The opening group goodwill of £29.6 million arose on the acquisition of Geronimo Group Limited, 580 Limited, Smiths of Smithfield Limited and Redcomb Pubs Limited. During the current period, £3.3 million of goodwill was recognized in respect of the acquisition of Spring Pub Company Limited. This was largely generated from deferred tax liabilities which arose on the fair value adjustment of property, equipment and right of use assets. None of the goodwill recognised is expected to be deductible for income tax purposes.

During the current period, the lease of the Builders Arms (Chelsea) expired and no longer formed part of Geronimo group and the managed houses segment. The relative value of goodwill associated with the Builders Arms, £0.4 million, has been expensed and classified within adjusting items.

The opening company goodwill has been restated (see note 1). During the current period, the trade and assets of the Redcomb group, with the exception of a pre-defined list of excluded assets, were transferred into Young's at consolidated book value. As a result, associated goodwill has been transferred into Young's creating goodwill of £8.7 million within the company. The properties within Smiths of Smithfield also transferred into Young's. As the goodwill relating to Smiths of Smithfield arose from deferred tax only, both the goodwill and deferred tax liability both transferred into the company accordingly in the current period.

During the prior period, £1.1 million of goodwill arose upon the acquisition of Smiths of Smithfield Limited in 2018. 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 in 2019. Both goodwill additions formed part of the managed houses segment.

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 based upon, in management's view, the most likely impact of coronavirus in the short term, followed by a return to full trade in the year commencing 30 March 2021. No impairment has been recognised in the current period. For all cash generating units, cash flows assume 2.0% growth per annum into the long-term (2019: 2.0%), with the exception of Smiths of Smithfield Limited where growth rates increase over a five year period to reflect the anticipated arrival of Crossrail in 2021 and the opening of the Museum of London in 2024 before reverting to a 2.0% long-term growth rate. The pre-tax discount rate applied to all cash flow projections is 7.7% (2019: 8.0%).

The impairment calculation is most sensitive to the pre-tax discount rate and EBITDA assumptions. Management have performed a sensitivity analysis on the impairment test. Given the uncertainty surrounding future trade levels due to the impact of the coronavirus pandemic, several scenarios have been modelled. Although not considered probable, if trade continued at the current year level with no long-term future growth, an impairment loss would be recognised on all cash generating units with associated goodwill balances, with the exception of Geronimo. Further, if the discount rate were to increase by 1% an impairment loss would be recognised on the goodwill of Smiths of Smithfield Limited.

17. Property and equipment

	Group			Company		
Cost or valuation	Land & buildings £m	Fixtures, fittings & equipment £m	Total £m	Land & buildings £m	Fixtures, fittings & equipment £m	Total £m
At 2 April 2018	**695.6**	**134.2**	**829.8**	**689.5**	**134.0**	**823.5**
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[1]						
– upward movement in valuation	34.0	–	34.0	33.2	–	33.2
– downward movement in valuation	(10.4)	–	(10.4)	(10.4)	–	(10.4)
At 1 April 2019	**751.5**	**148.0**	**899.5**	**726.9**	**141.3**	**868.2**
Transition to IFRS 16	(58.2)	–	(58.2)	(58.1)	–	(58.1)
Restated at 2 April 2019	**693.3**	**148.0**	**841.3**	**668.8**	**141.3**	**810.1**
Additions	6.6	26.1	32.7	6.5	26.0	32.5
Business combinations	27.1	2.6	29.7	14.4	0.9	15.3
Transfers from subsidiary companies	–	–	–	20.8	2.1	22.9
Disposals	(1.7)	(0.8)	(2.5)	(1.0)	(0.6)	(1.6)
Transfer out to asset held for sale	(0.8)	(0.4)	(1.2)	(0.8)	(0.4)	(1.2)
Fully depreciated assets	(0.2)	(14.8)	(15.0)	(0.2)	(14.8)	(15.0)
Revaluation[1]						
– upward movement in valuation	19.1	–	19.1	19.1	–	19.1
– downward movement in valuation	(29.3)	–	(29.3)	(28.8)	–	(28.8)
At 30 March 2020	**714.1**	**160.7**	**874.8**	**698.8**	**154.5**	**853.3**
Depreciation and impairment						
At 2 April 2018	**29.9**	**57.0**	**86.9**	**28.9**	**57.0**	**85.9**
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[1]						
– downward movement in valuation	3.5	–	3.5	3.5	–	3.5
– upward movement in valuation	(5.1)	–	(5.1)	(5.1)	–	(5.1)
At 1 April 2019	**29.6**	**62.9**	**92.5**	**28.3**	**62.2**	**90.5**
Transition to IFRS 16	(1.8)	–	(1.8)	(1.7)	–	(1.7)
Restated at 2 April 2019	**27.8**	**62.9**	**90.7**	**26.6**	**62.2**	**88.8**
Depreciation charge	1.6	24.0	25.6	1.4	23.5	24.9
Disposals	(1.0)	(0.3)	(1.3)	(0.3)	(0.3)	(0.6)
Transfer out to asset held for sale	(0.6)	(0.1)	(0.7)	(0.6)	(0.1)	(0.7)
Fully depreciated assets	(0.2)	(14.8)	(15.0)	(0.2)	(14.8)	(15.0)
Revaluation[1]						
– downward movement in valuation	7.0	–	7.0	7.0	–	7.0
– upward movement in valuation	(2.6)	–	(2.6)	(2.6)	–	(2.6)
At 30 March 2020	**32.0**	**71.7**	**103.7**	**31.3**	**70.5**	**101.8**
Net book value						
At 2 April 2018	665.7	77.2	742.9	660.6	77.0	737.6
At 1 April 2019	721.9	85.1	807.0	698.6	79.1	777.7
At 30 March 2020	**682.1**	**89.0**	**771.1**	**667.5**	**84.0**	**751.5**

1 The group's net book value impairment during the period was £14.6 million (2019: an uplift of £25.2 million). This impairment was recognised either in the revaluation reserve or the income statement, as appropriate.

Notes to the financial statements continued

For the 52 weeks ended 30 March 2020

17. Property and equipment continued

The impact of the revaluations was as follows:

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Income statement				
Revaluation loss charged as impairment	(7.0)	(3.5)	(7.0)	(3.5)
Reversal of past impairment	1.7	3.4	1.7	3.4
Net impairment recognised in the income statement	(5.3)	(0.1)	(5.3)	(0.1)
Revaluation reserve				
Unrealised revaluation surplus	20.0	35.8	20.0	35.8
Reversal of past surplus	(29.3)	(10.5)	(29.6)	(10.5)
Net (impairment)/uplift recognised in the revaluation reserve	(9.3)	25.3	(9.6)	25.3
Net revaluation (decrease)/increase in property	(14.6)	25.2	(14.9)	25.2

(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 on a desktop basis by Savills and Andrew Cox MRICS, the group's director of property and tenancies and a Chartered Surveyor, based upon information provided by the group.

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. For a small number of properties, a net investment yield valuation approach is considered most appropriate based upon the nature of site operations.

The valuation incorporates the impact of coronavirus through discounting pre-coronavirus property values by between 0% and 10% dependent on factors including, but not limited to, location, segment and performance of each site. The valuation discount applied contains material uncertainty given the lack of comparable transactional activity since the onset of coronavirus and the uncertainty over future trade at the valuation date.

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 (2019: Level 3) in the fair value hierarchy.

The key inputs to valuation on property and equipment are as follows. The multiples below are on a pre-coronavirus basis. Properties have been discounted appropriately for the impact of coronavirus.

		EBITDA multiple range			
2020	Tenure	Low	High	Number of pubs	Value of pubs £m
Managed houses	Freehold	7.0	12.0	115	551.9
Ram Pub Company	Freehold	7.0	12.0	42	39.3
Managed houses	Freehold	Spot	Spot	30	109.1
Ram Pub Company	Freehold	Spot	Spot	17	17.0
Ram Pub Company	Freehold	Yield	Yield	1	4.9
Segment total				205	722.2
Leasehold properties				70	41.2
Unallocated				–	7.7
Total net book value at 30 March 2020				275	771.1

2019	Tenure	EBITDA multiple range Low	High	Number of pubs	Value of pubs £m
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
Segment total				222	769.8
Short leaseholds				47	24.2
Unallocated				–	13.0
Total net book value at 1 April 2019				269	807.0

If, at 2020, the property estate had been carried at historic cost less accumulated depreciation and impairment losses, its carrying amount would have been approximately £467.8 million (2019: £489.1 million).

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

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 £59.1 million (2019: £64.0 million). Increasing the EBITDA used in the revaluation by 10% would increase the valuation by £59.1 million (2019: £64.0 million).

(b) Assets held under finance leases

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

	2019 £m
Land and buildings held under finance leases	33.1
Long leaseholds	34.0
Finance lease and long leaseholds	67.1

In the current period, in accordance with IFRS 16, finance leases and long leaseholds have been reclassified to form part of the right-of-use assets (note 18).

(c) Capital commitments

	2020 £m	2019 £m
Capital commitments not provided for in these financial statements and for which contracts have been placed amounted to:	0.8	6.0

(d) Operating leases where the group is lessor

The net book value of assets held under operating leases where the group is lessor was £61.9 million.

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For the 52 weeks ended 30 March 2020

18. Right-of-use assets

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Group				Company			
	Property £m	Motor vehicles £m	Other assets £m	Total £m	Property £m	Motor vehicles £m	Other assets £m	Total £m
As at 2 April 2019	**147.8**	**0.3**	**0.1**	**148.2**	**125.4**	**0.3**	**0.1**	**125.8**
Additions	2.8	0.2	–	3.0	12.5	0.2	–	12.7
Business combinations	15.0	–	–	15.0	–	–	–	–
Lease amendments	4.7	–	–	4.7	4.7	–	–	4.7
Depreciation	(7.3)	(0.2)	–	(7.5)	(6.1)	(0.2)	–	(6.3)
As at 30 March 2020	**163.0**	**0.3**	**0.1**	**163.4**	**136.5**	**0.3**	**0.1**	**136.9**

The depreciation charge has been recognised within operating costs in the income statement.

The group tests right-of-use assets for impairment when there are indicators that the assets may have been impaired. The loss of trade following coronavirus was considered an indicator of impairment. There will be an impairment if the recoverable amount is lower than carrying value. Recoverable amount is value in use. The inputs to the impairment model are consistent with those applied to the goodwill impairment test (see note 16). No impairment has been recognised in the current period.

The impairment calculation is most sensitive to the pre-tax discount rate and EBITDA assumptions. Management have performed a sensitivity analysis on the impairment test. Given the uncertainty surrounding future trade levels due to the impact of the coronavirus pandemic, several scenarios have been modelled. Although not considered probable, if trade continued at the current year level with no long-term future growth, an impairment loss would be recognised across a number of cash generating units. Further, if the discount rate were to increase by 1% an impairment would be recognised.

19. Investments in subsidiaries

Cost and net book value

	Company £m
At 2 April 2018	35.7
Additions	18.4
Impairment	(18.3)
At 1 April 2019	**35.8**
Additions	**20.1**
Impairment	**(21.5)**
At 30 March 2020	**34.4**

The group financial statements include:

Group subsidiary undertakings	Country of incorporation and registration	Country of principal operations	% of equity and votes held
580 Limited	England	England	100
BFI Limited*	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
Spring Pub Company Limited**	England	England	100
The Canbury Arms Limited***	England	England	100

* The shares in this subsidiary undertaking are indirectly held.

** The company is in the course of becoming the registered shareholder of this subsidiary undertaking.

*** The shares in this subsidiary undertaking will be indirectly held once the company is the registered shareholder of Spring Pub Company Limited – see **.

During the current period, Geronimo Airports Limited was dissolved, having gone into members' voluntary liquidation in December 2017. Prior to that, it was a wholly owned subsidiary of the company.

During the current period, the company acquired the entire issued share capital of Spring Pub Company Limited, the parent company of The Canbury Arms Limited. This created an additional investment of £20.1 million.

During the current period, impairment losses of £6.7 million and £14.8 million were recognised on the investments in Smiths of Smithfield Limited and the Redcomb group of companies (see below) respectively – this was as a result of the majority of the assets within those companies being transferred to the company.

During the prior 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 prior 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 were transferred into the company.

Each of the company's subsidiary undertakings has its registered office located at Riverside House, 26 Osiers Road, Wandsworth, London SW18 1NH.

20. Inventories

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Finished goods and raw materials	**3.3**	3.7	**3.2**	3.4

Inventory is stated net of a provision for obsolete finished goods and raw materials of £0.2 million (2019: £nil).

21. Trade and other receivables

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Trade receivables	**2.7**	2.8	**2.7**	2.8
Other receivables	**3.8**	0.8	**3.8**	0.8
Prepayments	**2.8**	4.7	**2.4**	4.3
Amounts due from subsidiaries	**–**	–	**1.0**	16.6
	9.3	8.3	**9.9**	24.5

Other receivables include £1.4 million (2019: £nil) receivable from the government in respect of the Coronavirus Job Retention Scheme.

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.

The 12-month expected credit losses on amounts due from subsidiaries are not material in the current period or prior period.

At 30 March 2020, there were expected lifetime credit losses recognised against the trade receivables of £0.6 million (2019: £0.7 million). The table below provides an indication of movement during the period:

	2020 £m	2019 £m
Opening balance	**0.7**	0.8
Amounts written off	**(0.1)**	(0.1)
	0.6	0.7

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
2020	**3.3**	**2.2**	**0.2**	**0.3**	**0.1**	**0.5**
Percentage loss rate		**9%**	**26%**	**32%**	**37%**	**42%**
Expected lifetime credit loss	**0.6**	**0.2**	**0.1**	**0.1**	**–**	**0.2**
2019	2.8	2.1	0.2	0.2	0.1	0.2
Percentage loss rate		5%	40%	80%	100%	100%
Expected lifetime credit loss	0.7	0.1	0.1	0.2	0.1	0.2

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For the 52 weeks ended 30 March 2020

22. Asset held for sale

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Property held for sale	**0.5**	–	**0.5**	–

At 30 March 2020, one property has been classified as held for sale. The property, which sits within the Ram Pub Company operating segment, has been identified for sale based on it's fit with the remaining Young's estate. Sale is expected within 12 months from the reporting date. No material change in value was recognised on reclassifying the property to held for sale.

23. Trade and other payables

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Trade payables	**16.1**	16.0	**16.1**	14.7
Other tax and social security	**5.7**	6.9	**5.7**	6.2
Other creditors	**6.1**	7.2	**5.9**	7.1
Accruals and deferred income	**5.4**	5.8	**5.0**	5.8
Amounts due to subsidiaries	–	–	**10.5**	6.1
	33.3	35.9	**43.2**	39.9

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.

24. 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, on a pre-IFRS 16 basis, not greater than 4.0 times. At the period end, on a pre-IFRS 16 basis, the net debt to EBITDA was 2.8 times (2019: 2.2 times), based upon net debt of £198.7 million and EBITDA of £71.8 million (notes 10 and 32), providing the group with plenty of headroom. On a post-IFRS 16 basis net debt to EBITDA increases to 3.5 times, based upon net debt of £280.4 million and EBITDA of £79.6 million (notes 10 and 32). All covenants in relation to bank loans are prepared on a pre-IFRS 16 basis and have also been fully complied with. The group finances the business with a mixture of equity (note 29) and debt (note 32).

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. Other sources of funding arise directly from trading activities, such as trade and other payables. The right-of-use assets are funded by lease liabilities.

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 16. 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
2020	+1.0	(0.70)
	-0.5	0.30
2019	+1.0	(0.60)
	-0.5	0.30

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. Any potential impairments are monitored and, where appropriate, provision is made for any irrecoverable balances. The group's maximum credit risk is considered to be limited to its trade receivables (note 21). 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 group has considered the effects of its latest forecasts on its compliance with bank covenants, which are tested each quarter on a twelve month rolling basis. In anticipation of covenant waivers arising due to the pub closures, the group has agreed with its lending banks and private placement lenders that the financial covenants have been replaced by debt headroom covenants until the quarter ending June 2021. 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 (see note 1).

(a) Derivative financial instruments: interest rate swaps

	Group and company	
	2020 £m	2019 £m
Current liabilities	(2.4)	(1.9)
Non-current liabilities	(3.3)	(4.2)
Total financial liabilities	(5.7)	(6.1)
Fair value movement of interest rate swaps recognised in other comprehensive income	0.4	0.5

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.

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

	Group and company					
2020	Term or expiry date	Effective interest rate when hedged	Variable interest rate when unhedged[1]	Period rate fixed	Fair value 2020 £m	Book value 2020 £m
Secured						
£30 million loan swapped into fixed rate	March 2021	4.34%	L+1.50%	1 year	30.7	30.0
£20 million loan swapped into fixed rate	March 2021	2.23%	L+1.50%	1 year	20.1	20.0
£30 million loan swapped into fixed rate	March 2023	5.97%	L+0.95%	3 years	34.1	30.0
£10 million loan swapped into fixed rate	May 2024	2.77%	L+1.35%	4 years	10.3	9.9
£10 million loan swapped into fixed rate	May 2024	2.71%	L+1.50%	4 years	10.3	9.9
£35 million private placement at fixed rate[2]	July 2039	Fixed	Fixed	19 years	34.6	34.6
£100 million revolving credit facility	March 2025	Variable	L+0.75%	None	64.8	64.8
					204.9	199.2

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

2 The £35 million private placement has a fixed rate of interest at 3.3%.

Notes to the financial statements continued

For the 52 weeks ended 30 March 2020

24. Capital management and financial instruments continued

	Group 2020 £m	Company 2020 £m
Current borrowings	50.0	50.0
Non-current borrowings	149.2	149.2
Total secured borrowings	199.2	199.2
Unsecured current lease liabilities	5.3	5.0
Unsecured non-current lease liabilities	77.0	59.6
Financial liabilities	281.5	263.8

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

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

Unsecured	
Current borrowings	8.5
Finance leases	0.6
Financial liabilities	172.1

	Group 2019 £m	Company 2019 £m
Current borrowings	8.5	8.5
Non-current financial liabilities	163.6	163.6
Financial liabilities	172.1	172.1

The secured borrowings are secured on the assets of the group (other than two pubs, broadly up to a value of £13.0 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 30 March 2020, 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.

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.

In July 2019, the group completed on the addition of a private placement debt facility, raising £35 million at a fixed rate of 3.3% repayable in July 2039.

Post-year-end, the group entered into a new £50 million syndicated term loan facility with NatWest and HSBC repayable in May 2025, with two further one-year extension options, bringing the potential expiry to May 2027. This facility has been drawn and used to repay in full the £50 million syndicated facility with RBS and Barclays that was due to expire in March 2021.

Revolving credit facility

In the prior period, the group extended its £75 million revolving credit facility, split evenly with Barclays and HSBC, by a further £25 million, providing a total facility of £100 million. During the current period, the group exercised its right to extend the maturity date of the revolving credit facility by one year, making the new maturity date March 2025. The availability of these funds serve to maintain the headroom available to the group following the acquisition of Spring Pub Company Limited in March 2020. 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.

Post-year-end, the group entered into a new £20 million bilateral revolving credit facility with NatWest, which it does not intend to draw but instead retain as available liquidity to help the group meet the liquidity test referred to above. This new facility matures next May, and the group has the option early next year to request an extension of its maturity date by six months and can do the same again later next year. In deciding whether to make either of these requests, the group's board will take into consideration the fact that no dividend can be declared, made or paid whilst any part of this facility is drawn and that this facility, if undrawn, will be cancelled if any dividend is declared, made or paid.

At the period end, £65.5 million (2019: £64.0 million) was drawn. Final repayment of the total drawn down balance is due as one payment on 20 March 2025. 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.

Covid Corporate Financing Facility ('CCFF')

In May 2020, the group issued paper with a nominal value of £30 million and a maturity date of 13 May 2021 under the HM Treasury and the Bank of England's CCFF.

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

The below maturity tables include contractual gross undiscounted cash flows of the borrowings, related interest, net derivatives, finance leases, trade and other payables and contractual accruals.

	Group				
2020	Within one year £m	Between one and two years £m	Between two and five years £m	After five years £m	Total £m
Borrowings	52.4	2.4	121.4	50.0	226.2
Derivative financial instruments	2.4	1.6	1.8	–	5.8
Lease liabilities (note 28)[1]	7.7	7.3	19.7	97.9	132.6
Trade and other payables	21.8	–	–	–	21.8
	84.3	11.3	142.9	147.9	386.4

1 In accordance with IFRS 16, the maturity table above includes lease liabilities (note 28) which were not presented in the prior period comparative.

	Company				
2020	Within one year £m	Between one and two years £m	Between two and five years £m	After five years £m	Total £m
Borrowings	52.4	2.4	121.4	50.0	226.2
Derivative financial instruments	2.4	1.6	1.8	–	5.8
Lease liabilities (note 28)[1]	6.1	5.7	18.0	64.9	94.7
Trade and other payables	21.8	–	–	–	21.8
Amounts due to subsidiaries	10.5	–	–	–	10.5
	93.2	9.7	141.2	114.9	359.0

1 In accordance with IFRS 16, the maturity table above includes lease liabilities (note 28) which were not presented in the prior period comparative.

Notes to the financial statements continued

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24. Capital management and financial instruments continued

2019	Within one year £m	Between one and two years £m	Between two and five years £m	After five years £m	Total £m
Borrowings	10.3	51.8	112.3	20.0	194.4
Trade and other payables	30.5	–	–	–	30.5
	40.8	51.8	112.3	20.0	224.9

The prior period undiscounted cash flows for the company include the amounts due to subsidiaries of £6.1 million.

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

	Group and company			
	Fair value 2020 £m	Level 1 2020 £m	Level 2 2020 £m	Level 3 2020 £m
Financial liabilities at fair value				
Interest rate swaps	5.7	–	5.7	–
	5.7	–	5.7	–

	Fair value 2019 £m	Level 1 2019 £m	Level 2 2019 £m	Level 3 2019 £m
Financial liabilities at fair value				
Interest rate swaps	6.1	–	6.1	–
	6.1	–	6.1	–

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						
	At 2 April 2019 £m	Adjustment for transition to IFRS 16 £m	Restatement at 2 April 2019 £m	Additions £m	Cash flow £m	Other £m	At 30 March 2020 £m
Bank loans	171.5	–	171.5	–	28.0	(0.3)	199.2
Lease liabilities	0.6	74.0	74.6	15.8	(8.1)	–	82.3
Total liabilities from financing activities	**172.1**	**74.0**	**246.1**	**15.8**	**19.9**	**(0.3)**	**281.5**

	Company						
	At 2 April 2019 £m	Adjustment for transition to IFRS 16 £m	Restatement at 2 April 2019 £m	Additions £m	Cash flow £m	Other £m	At 30 March 2020 £m
Bank loans	171.5	–	171.5	–	28.0	(0.3)	199.2
Lease liabilities	0.6	63.7	64.3	7.6	(7.3)	–	64.6
Total liabilities from financing activities	**172.1**	**63.7**	**235.8**	**7.6**	**20.7**	**(0.3)**	**263.8**

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

25. Deferred tax

Deferred tax relates to the following:

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Deferred tax assets				
Interest rate swaps	**1.1**	1.1	**1.1**	1.1
Retirement benefit schemes	**1.6**	1.5	**1.6**	1.5
Decelerated capital allowances	**4.5**	3.3	**4.5**	3.3
Capital losses	**0.7**	0.6	**0.7**	0.6
Share based payments	**0.3**	0.7	**0.3**	0.7
Trade losses	**0.1**	0.2	**0.1**	0.2
Deferred tax assets	**8.3**	7.4	**8.3**	7.4
Deferred tax liabilities				
Rolled over gains on property revaluations	**(69.9)**	(60.6)	**(65.7)**	(57.9)
Net deferred tax liabilities	**(61.6)**	(53.2)	**(57.4)**	(50.5)

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Opening balance	**(53.2)**	(48.2)	**(50.5)**	(48.2)
Tax (charge)/credit in the income statement	**(1.2)**	0.9	**(1.2)**	1.0
Tax charge in the statement of comprehensive income	**(3.1)**	(3.3)	**(3.1)**	(3.3)
Recognised on acquisition	**(4.0)**	(2.6)	**(2.5)**	–
Tax charge recognised directly in equity	**(0.1)**	–	**(0.1)**	–
Closing balance	**(61.6)**	(53.2)	**(57.4)**	(50.5)

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
Deferred tax assets							
Balance as at 2 April 2018	1.2	1.0	2.8	0.6	0.8	–	6.4
(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
Balance as at 1 April 2019	**1.1**	**1.5**	**3.3**	**0.6**	**0.7**	**0.2**	**7.4**
(Charged)/credited to the income statement	–	(0.6)	1.2	0.1	(0.3)	(0.1)	**0.3**
Credited to other comprehensive income	–	0.7	–	–	–	–	**0.7**
Charged directly to equity	–	–	–	–	(0.1)	–	**(0.1)**
Balance as at 30 March 2020	**1.1**	**1.6**	**4.5**	**0.7**	**0.3**	**0.1**	**8.3**

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25. Deferred tax continued

The deferred tax assets and liabilities at the balance sheet date are calculated at the substantively enacted rate of 19%. Previously, the substantively enacted rate for balances that will be realised or settled after 1 April 2020 was 17%, however on 17 March 2020 a resolution having statutory effect was passed setting the corporation tax rate at 19% from 1 April 2020.

The group has realised capital losses of £5.0 million (2019: £4.9 million), which are available indefinitely to offset against future capital gains. A deferred tax asset has not been recognised in respect of £1.5 million (2019: £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 £3.5 million (2019: £3.3 million) on which a deferred tax asset has been recognised.

In addition, the group has unrealised capital losses of £12.4 million (2019: £9.3 million). No deferred tax asset has been recognised in respect of these losses (2019: £nil) because it is uncertain whether they will be utilised. The company has unrealised capital losses of £12.4 million (2019: £9.3 million); no deferred tax asset has been recognised in respect of these losses (2019: £nil).

26. 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 £1.6 million (2019: £1.1 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 16.

The employer contribution to the defined benefit scheme for the period ended 30 March 2020 was £1.4 million of which £1.2 million were special contributions (2019: £1.4 million of which £1.2 million were special contributions) plus premiums of £0.2 million (2019: £0.2 million) to the post-retirement health care scheme. The current arrangement as regards contribution rates specifies that annual 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 2021 financial period are expected to be £1.4 million which includes a special contribution of £1.2 million. The total contributions to the post-retirement health care scheme in the 2021 financial period are expected to be £0.2 million.

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 had been made in the prior financial period. Although a number of methodologies could have been used to determine the impact, in the prior year the group adopted method C2 to identify its best estimate of the additional liabilities. These were charged as a past service cost in the prior year income statement as an adjusting item (note 9) since the liabilities related to employee service between 1990 and 1997 and they had no link to the prior period business performance. The increase in liabilities as at 1 April 2019 was estimated at £2.5 million, assessed using market conditions at the date of the ruling as required by IAS 19. During the current period, additional data has been collated and the estimated impact to the pension liabilities has been revised to £1.7 million. The £0.8 million decrease in liability has been recognised in other comprehensive income in the period ended 30 March 2020.

The defined benefit scheme is closed to new entrants.

Financial assumptions

	Pension		Health care	
	2020 %	2019 %	2020 %	2019 %
Discount rate	**2.40**	2.50	**2.40**	2.50
Inflation	**2.80**	3.30	**2.80**	3.30
Rate of increase in salaries	**2.50**	2.50	**N/A**	N/A
Discretionary pension increases	**2.80**	3.30	**N/A**	N/A
Rate of revaluation of deferred pensions	**1.80**	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:

	2020 Years	2019 Years
Current pensioners (at age 65) – males	**21.9**	21.7
Current pensioners (at age 65) – females	**24.2**	24.0
Future pensioners (at age 65) – males	**23.2**	23.1
Future pensioners (at age 65) – females	**25.6**	25.5

At the period end date, the average age of current pensioners was 73 years (2019: 73 years) and for future pensioners was 55 years (2019: 55 years).

The weighted average duration of liabilities for the current period was 17.0 years (2019: 18.4 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 8.2%
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 3.4%
Rate of revaluation of deferred pensions	Increase/decrease by 0.5%	Increase/decrease by 1.1%
Life expectations	Increase by 1 year	Increase by 4.8%

Pension scheme and health care scheme assets and liabilities

	Group and company	
	Assets and liabilities	
	2020 £m	2019 £m
Equities	**31.1**	37.8
Diversified growth fund	**19.2**	20.5
Absolute return	**–**	–
Corporate bonds	**56.8**	56.7
Insured pensions	**7.9**	9.0
Other	**(1.1)**	0.1
Total fair value of assets	**113.9**	124.1
Present value of retirement benefit liabilities	**(122.1)**	(132.7)
Scheme deficit	**(8.2)**	(8.6)

The pension scheme assets includes some of the company's A shares with a fair value of £3.6 million (2019: £5.4 million). There are no property assets of the scheme occupied by the company.

Of the above assets, £107.1 million (2019: £115.0 million) are quoted securities.

Notes to the financial statements continued

For the 52 weeks ended 30 March 2020

26. Retirement benefit schemes continued

Movement in scheme deficits in the period

(a) Changes in the present value of the schemes are as follows:

	Group and company					
	Pension scheme £m	2020 Health care scheme £m	Total £m	Pension scheme £m	2019 Health care scheme £m	Total £m
Opening deficit	(5.1)	(3.5)	(8.6)	(2.4)	(3.7)	(6.1)
Current service cost	(0.3)	–	(0.3)	(0.3)	–	(0.3)
Past service costs	–	–	–	(2.5)	–	(2.5)
Contributions	1.4	0.2	1.6	1.4	0.2	1.6
Other finance charges	(0.1)	(0.1)	(0.2)	–	(0.1)	(0.1)
Remeasurement through other comprehensive income	(0.5)	(0.2)	(0.7)	(1.3)	0.1	(1.2)
Closing deficit	(4.6)	(3.6)	(8.2)	(5.1)	(3.5)	(8.6)
(b) Recognised in the income statement						
Current service cost included in operating costs	(0.3)	–	(0.3)	(0.3)	–	(0.3)
Past service cost included in exceptional items	–	–	–	(2.5)	–	(2.5)
Net interest expense	(0.1)	(0.1)	(0.2)	–	(0.1)	(0.1)
(c) Recognised in the statement of comprehensive income						
Experience gains arising on the schemes' liabilities	3.3	(0.2)	3.1	1.1	0.1	1.2
Changes in demographic assumptions underlying the schemes' liabilities	(0.3)	–	(0.3)	2.3	0.1	2.4
Changes in financial assumptions underlying the schemes' liabilities	6.5	–	6.5	(4.3)	(0.1)	(4.4)
Remeasurement of obligations	9.5	(0.2)	9.3	(0.9)	0.1	(0.8)
Return on schemes' assets (less amounts included in the net interest expense)	(10.0)	–	(10.0)	(0.4)	–	(0.4)
Net remeasurement recognised	(0.5)	(0.2)	(0.7)	(1.3)	0.1	(1.2)
(d) Movements in the present value of schemes' obligations during the period						
Opening defined benefit obligations	(129.2)	(3.5)	(132.7)	(127.3)	(3.7)	(131.0)
Current service cost	(0.3)	–	(0.3)	(0.3)	–	(0.3)
Past service cost	–	–	–	(2.5)	–	(2.5)
Interest on obligations	(3.2)	(0.1)	(3.3)	(3.3)	(0.1)	(3.4)
Contributions by schemes' members	(0.1)	–	(0.1)	(0.1)	–	(0.1)
Remeasurement of obligations	9.5	(0.2)	9.3	(0.9)	0.1	(0.8)
Benefits paid	4.8	0.2	5.0	5.2	0.2	5.4
Present value of schemes' liabilities	(118.5)	(3.6)	(122.1)	(129.2)	(3.5)	(132.7)

(e) Change in fair value of schemes' assets

	Group and company					
	2020			2019		
	Pension scheme £m	Health care scheme £m	Total £m	Pension scheme £m	Health care scheme £m	Total £m
Opening fair value of schemes' assets	**124.1**	–	**124.1**	124.9	–	124.9
Interest on schemes' assets	**3.1**	–	**3.1**	3.3	–	3.3
Return on schemes' assets (less amounts included in the net interest expense)	**(10.0)**	–	**(10.0)**	(0.4)	–	(0.4)
Contributions by employer	**1.4**	**0.2**	**1.6**	1.4	0.2	1.6
Contributions by schemes' members	**0.1**	–	**0.1**	0.1	–	0.1
Benefits paid	**(4.8)**	**(0.2)**	**(5.0)**	(5.2)	(0.2)	(5.4)
Fair value of schemes' assets	**113.9**	–	**113.9**	124.1	–	124.1

27. Other non-current liabilities

	Group and company		
	Provisions £m	Deferred income £m	Total £m
At 2 April 2018	0.7	0.5	1.2
Released	(0.5)	(0.2)	(0.7)
At 1 April 2019	**0.2**	**0.3**	**0.5**
Impact of IFRS 16 transition	(0.2)	–	(0.2)
Restated at 2 April 2019	–	**0.3**	**0.3**
Released	–	**(0.1)**	**(0.1)**
At 30 March 2020	–	**0.2**	**0.2**

In the prior period, the provisions related to four property leases where the expected operating income does not cover the rents payable. These have subsequently been transferred into the right-of-use assets as part of the transition to IFRS 16 (note 2).

28. Lease liabilities

(a) Group as lessee

The group has lease contracts for various items of property, vehicles and other equipment used in its operations. Leases of property generally have lease terms between 20 and 999 years, while motor vehicles and other equipment generally have lease terms between 3 and 5 years.

There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

The group also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. *The group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.*

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	Group £m	Company £m
At 2 April 2019	**74.6**	**64.3**
Additions	2.8	2.9
Business combinations	8.3	–
Lease amendments	4.7	4.7
Accretions of interest	2.5	2.1
Payments	(10.6)	(9.4)
At 30 March 2020	**82.3**	**64.6**
Current	5.3	5.0
Non-current	77.0	59.6

Note 24(c) summarises the maturity profile of the group's lease liability based on contractual undiscounted payments.

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28. Lease liabilities continued

The following amounts have been recognised in the income statement:

	Group 2020 £m	Company 2020 £m
Depreciation expense of right-of-use assets (note 18)	7.5	6.3
Interest expense on lease liabilities (note 11)	2.5	2.1
Expense relating to short-term leases and low value assets	–	–
Variable lease payments	0.4	0.3
Total amount recognised in the income statement	**10.4**	**8.7**

During the current year, the group had total cash outflows for leases of £11.0 million. The group also had non-cash additions to right-of-use assets and lease liabilities of £11.0 million.

The group has lease contracts for properties that contains variable payments based on turnover levels achieved. The following provides information on the group's variable lease payments, including the magnitude in relation to fixed payments:

	Group			Company		
	Fixed payments £m	Variable payments £m	Total payments £m	Fixed payments £m	Variable payments £m	Total payments £m
Fixed rent	9.4	–	9.4	8.7	–	8.7
Variable rent with minimum payment	1.2	–	1.2	0.7	–	0.7
Variable rent only	–	0.4	0.4	–	0.3	0.3
	10.6	**0.4**	**11.0**	**9.4**	**0.3**	**9.7**

The group has several lease contracts that include termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the group's business needs.

Set out below are the undiscounted potential future rental payments relating to periods following the termination options that are not included in the lease term:

	Within five years £m	More than five years £m	Total £m
Termination options expected to be exercised	1.8	0.5	2.3

(b) Group as lessor

During the period, the group received lease income from tenants within the Ram Pub Company operating segment which were designated as short-term operating leases. £3.3 million has therefore been recognised in the income statement for the period ended 30 March 2020, of which £0.5 million relates to sublease income received. All lease income is fixed rent. Other revenue received within the Ram Pub Company operating segment was generated from sales of drink and accounted for under IFRS 15 Revenue from contracts with customers.

	Within one year £m	One to two years £m	Two to three years £m	Three to four years £m	Four to five years £m	More than five years £m	Total £m
Undiscounted lease income	2.0	2.0	1.2	0.7	0.7	3.5	10.1

29. Share capital and reserves

	2020 Shares	2020 £000	2019 Shares	2019 £000
Issued and fully paid shares – 12.5p each				
Opening balance	**48,965,040**	**6,121**	48,874,822	6,110
Issued under employee share schemes	**71,507**	**9**	90,218	11
Closing balance	**49,036,547**	**6,130**	48,965,040	6,121

Of the opening balance, 29,805,040 are A shares and 19,160,000 are non-voting shares (2019: 29,714,822 A shares, 19,160,000 non-voting shares). Of the closing balance, 29,876,547 are A shares and 19,160,000 are non-voting shares (2019: 29,805,040 A shares, 19,160,000 non-voting shares).

For details of the A shares issued in the current period, see Share Awards (note 30).

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.

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.

Retained earnings

Retained earnings consists of cumulative historic realised gains and losses net of dividends paid. It also includes a non-distributable reserve of £17.1 million arising on the transfer of assets from subsidiaries to the parent as consolidated book value, and a non-distributable reserve of £33.6 million arising from the transfer of revaluation reserves relating to leasehold assets following the adoption of IFRS 16.

30. 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 Mike Owen and to 100% of basic annual salary in the case of Simon Dodd, Torquil Sligo-Young and Tracy Dodd. As Mike Owen and Simon Dodd didn't join the board until September 2019, their basic annual salaries were halved for the purpose of determining the amount of any DBS bonus award for the financial year ended 30 March 2020. 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 relation to this, the remuneration committee (in respect of the executive directors) and the executive committee (in respect of the senior management employees) may make such further adjustments to the group's adjusted earnings per ordinary share outcome as that committee in its absolute discretion acting fairly and reasonably may determine. 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 1 April 2019 and 30 March 2020 of the directors and those senior management employees who served during the period ended 30 March 2020. 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 1,765 pence (2019: 1,710 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 1,765p per share (2019: 1,705p per share).

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30. Share awards continued

	Date of award	Matching shares (Y/N)	At 1 April 2019	Awarded during the period	Restrictions ceased to apply during the period	Transferred during period[1]	At 30 March 2020	Issue price (pence per share)[2]
Stephen Goodyear	June 2016	N	22,199	–	(22,199)	–	–	1,205.0
	June 2016	Y	11,099	–	(9,989)	(1,110)	–	12.5
Patrick Dardis	June 2016	N	15,495	–	(15,495)	–	–	1,205.0
	June 2016	Y	7,747	–	(6,972)	(775)	–	12.5
	June 2017	N	17,671	–	–	–	**17,671**	1,332.0
	June 2017	Y	8,835	–	–	–	**8,835**	12.5
	June 2018	N	14,179	–	–	–	**14,179**	1,705.0
	June 2018	Y	7,089	–	–	–	**7,089**	12.5
	June 2019	N	–	21,671	–	–	**21,671**	1,765.0
	June 2019	Y	–	10,835	–	–	**10,835**	12.5
Torquil Sligo-Young	June 2016	N	10,428	–	(10,428)	–	–	1,205.0
	June 2016	Y	5,214	–	(4,692)	(522)	–	12.5
	June 2017	N	7,045	–	–	–	**7,045**	1,332.0
	June 2017	Y	3,522	–	–	–	**3,522**	12.5
	June 2018	N	6,929	–	–	–	**6,929**	1,705.0
	June 2018	Y	3,464	–	–	–	**3,464**	12.5
	June 2019	N	–	6,371	–	–	**6,371**	1,765.0
	June 2019	Y	–	3,185	–	–	**3,185**	12.5
Tracy Dodd	June 2017	N	2,579	–	–	–	**2,579**	1,332.0
	June 2018	N	4,329	–	–	–	**4,329**	1,705.0
	June 2018	Y	393	–	–	–	**393**	12.5
	June 2019	N	–	4,682	–	–	**4,682**	1,765.0
	June 2019	Y	–	780	–	–	**780**	12.5
Senior management employees	June 2016	N	5,898	–	(5,898)	–	–	1,205.0
	June 2016	Y	5,898	–	(5,308)	(590)	–	12.5
	June 2017	N	6,936	–	(2,327)	–	**4,609**	1,332.0
	June 2017	Y	6,936	–	–	–	**6,936**	12.5
	June 2018	N	6,807	–	(2,492)	–	**4,315**	1,705.0
	June 2018	Y	6,807	–	–	–	**6,807**	12.5
	June 2019	N	–	5,982	–	–	**5,982**	1,765.0
	June 2019	Y	–	5,982	–	–	**5,982**	12.5

1 These shares were transferred to the Ram Brewery Trust II, an employee benefit trust designated by the company, for no consideration.

2 For 'matching' shares, the price shown is the nominal value.

Mike Owen and Simon Dodd joined the board on 9 September 2019 and 2 September 2019 respectively. Neither of them therefore had any outstanding entitlement to A shares under DBS as at 1 April 2019 or 30 March 2020.

The performance periods for the awards dated June 2017, 2018 and 2019 are the group's four-year financial periods ending on or around 31 March 2020, 2021 and 2022 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. For the awards dated June 2017, it has been determined that the condition was met as to 30% (see below). It is anticipated that the maximum target for the adjusted earnings per share performance conditions will be met as to 0% for the awards dated June 2018 and as to 69% for the awards dated June 2019. In respect of the awards dated June 2017, the remuneration committee (in respect of the executive directors) and the executive committee (in respect of the senior management employees) made adjustments to the group's year-end adjusted earnings per share; the result was that the performance condition was determined to be met as to 30% rather than 0%, meaning that the individuals concerned could retain 30% of the 'matching' shares awarded to them. The committees made the adjustments primarily in light of the impact of the coronavirus pandemic in March 2020 and the forced closure of the group's pubs. The committees recognised in particular that a 0% outcome would mean that the coronavirus was impacting a measure set in November 2016, and where the company's performance for over three years of the relevant period would not have resulted in all the 'matching' shares having to be returned, and that to require all the 'matching' shares to be returned would result in a misalignment between the company's performance and shareholder

experience over the vast majority of the relevant period and the executive and senior management remuneration outcomes, and would be removing a good link between pay and performance.

A charge of £nil million (2019: £0.2 million) was made to the group and company income statements in respect of the outstanding 57,828 'matching' shares at 30 March 2020 (2019: 70,190).

(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 68,511 A shares (2019: 52,275 A shares) were granted under the scheme at an exercise price of 1,412p per share (2019: 1,364p per share). These options will generally be exercisable between 1 September 2022 and 28 February 2023.

Options over 141,882 A shares were outstanding at the beginning of the period. During the period, options over 30,216 A shares lapsed, options over 39,643 A shares were exercised at 964p per share, options over 328 A shares were exercised at 1,066p per share and options over 175 A shares were exercised at 1,364p per share. The weighted average share price of shares exercised during the period was 1,621 pence (2019: 1,710 pence). The options that were exercised (and in respect of which new shares were issued) resulted in an increase in share capital of £1,502.375 and an increase in share premium of £114,360.785. A charge of £0.1million (2019: £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. The cumulative fair value of the share options at 30 March 2020 was £0.2 million (2019: £0.2 million). Options over 140,031 A shares were outstanding at the end of the period.

Valuation assumptions

Assumptions used in the Black-Scholes model to determine the fair value of share options at grant date for the period ending 30 March 2020 and 1 April 2019 were as follows:

	Group and company			
	2019 plan	2018 plan	2017 plan	2016 plan
Share price at grant date (pence)	**1,765.0**	1,705.0	1,332.0	1,205.0
Exercise price (pence)	**1,412.0**	1,364.0	1,066.0	964.0
Expected volatility (%)	**24.9**	21.0	8.5	18.0
Option life (years)	**3**	3	3	3
Expected dividends (expressed as dividend yield %)	**0.9**	1.3	1.3	1.4
Risk-free interest rate (%)	**0.3**	0.7	2.4	0.9
Probability of forfeiture (%)	**18.3**	17.2	33.7	15.7

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.

31. 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 54 and in notes 8(e) and 30. 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 30 March 2020, the Scheme held 337,067 A shares (2019: 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.

Notes to the financial statements continued

31. Related party transactions continued

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 30 March 2020, the trust held 7,526 A shares (2019: 29,740), being 0.03% of the class. During the period, 3,060 A shares (2019: 3,572) were transferred out in connection with the company's profit sharing scheme (see note 8(d)), 28,127 A shares (2019: nil) were transferred out in connection with the company's savings-related share option scheme (see note 8(e)) and 8,973 A shares (2019: 25,967) were transferred in in connection with the company's deferred annual bonus scheme (see note 27(a)).

Neither YPTL nor RBT II is a related party of the company for the purposes of the AIM Rules for Companies.

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 (2019: £0.3 million) and incurred a share based payment charge of £nil million (2019: £0.2 million).

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

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Profit before tax on continuing operations	**29.1**	39.5	**28.0**	72.7
Net finance cost	**8.6**	5.0	**8.4**	5.5
Finance charge for pension obligations	**0.2**	0.1	**0.2**	0.1
Operating profit on continuing operations	**37.9**	44.6	**36.6**	78.3
Depreciation of property and equipment	**25.6**	23.4	**24.9**	22.4
Amortisation of lease premiums	–	0.9	–	0.4
Depreciation of right-of-use assets	**7.5**	–	**6.3**	–
Investment impairment	–	–	–	18.3
Movement on revaluation of properties	**5.3**	0.1	**5.3**	0.1
Net loss/(profit) on disposal of property	**0.6**	(0.4)	**0.3**	(0.4)
Guaranteed minimum pension equalisation	–	2.5	–	2.5
Difference between pension service cost and cash contributions paid	**(1.3)**	(1.3)	**(1.3)**	(1.3)
Business transfer from subsidiary to parent	–	–	**0.8**	–
Movement in other provisions	–	(0.7)	**0.6**	(0.7)
Share based payments	**0.1**	0.3	**0.1**	0.3
Movements in working capital				
– Inventories	**0.5**	(0.4)	**0.4**	(0.4)
– Receivables	**(1.8)**	2.4	**(1.2)**	(15.9)
– Payables	**(1.9)**	(2.2)	**(1.7)**	(47.3)
Net cash generated from operations	**72.5**	69.2	**71.1**	56.3

Analysis of net debt

	Group			Company		
	2020 Post-IFRS 16 £m	2020 Pre-IFRS 16 £m	2019 Pre-IFRS 16 £m	2020 Post-IFRS 16 £m	2020 Pre-IFRS 16 £m	2019 Pre-IFRS 16 £m
Cash	**1.1**	**1.1**	8.5	**1.1**	**1.1**	8.2
Current borrowings and loan capital	**(50.0)**	**(50.0)**	(8.5)	**(50.0)**	**(50.0)**	(8.5)
Current lease liability	**(5.3)**	–	–	**(5.0)**	–	–
Non-current borrowings and loan capital	**(149.2)**	**(149.2)**	(163.0)	**(149.2)**	**(149.2)**	(163.0)
Non-current lease liability	**(77.0)**	**(0.6)**	(0.6)	**(59.6)**	**(0.6)**	(0.6)
Net debt	**(280.4)**	**(198.7)**	(163.6)	**(262.7)**	**(198.7)**	(163.9)

33. Post balance sheet events

In response to coronavirus and the closure of all of the group's pubs, management has taken actions to mitigate the consequential and significant impact on both profit and cash flow of this closure. These actions include reducing the group's cash outflows in non-essential areas, accessing some of the government's support packages in order to safeguard employment, agreeing that no final dividend will be declared or paid for 2020 and strengthening both short-term and long-term financing. Further, in view of the ongoing closure of our pubs, the expected lower levels of trade when they re-open and the terms of the new £20.0 million facility with NatWest, the company will not be paying an interim dividend for the current financial year ending 29 March 2021. A number of these actions were taken post-year-end and are therefore not reflected in the financial statements at 30 March 2020.

At 30 March 2020, the group had cash of £1.1 million and secured borrowing facilities of £235.0 million, of which £199.2 million was drawn down and of which £50.0 million expires in March 2021. Since that date, further financing has been accessed through the Bank of England's CCFF, whereby £30.0 million of commercial paper with a maturity date of May 2021 has been secured, alongside a new revolving credit facility of £20.0 million with NatWest for an initial period of one year to May 2021. Longer-term, the £50.0 million term loan due to expire in March 2021 has been renewed with a five-year facility expiring in 2025. In anticipation of covenant breaches arising due to the pub closures, the group has agreed with its lending banks that the EBITDA covenants have been replaced by a minimum debt headroom covenants, requiring the group to leave £20.0 million of its available facilities undrawn, until the quarter ending June 2021. See note 1 for further details on going concern.

The group's assets and liabilities have been valued based on information available at 30 March 2020. Post year-end, the coronavirus pandemic has continued to evolve which could have an impact on the value of both assets and liabilities, most notably property valuations and the net pension deficit. These constitute non-adjusting events in accordance with the applicable accounting standard and any change in value will be reflected in the following period's financial statements.

34. Contingent liabilities

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

Five year review

	2020 52 weeks £m	2019 52 weeks £m	2018 52 weeks £m	2017 53 weeks £m	2016 52 weeks £m
Revenue	311.6	303.7	279.3	268.9	245.9
Adjusted operating profit	46.5	48.5	46.9	46.1	41.2
Adjusting items	(8.6)	(3.9)	(3.4)	(3.4)	(2.8)
Net finance costs and other finance charges	(8.8)	(5.1)	(5.9)	(5.7)	(5.6)
Profit before tax	29.1	39.5	37.6	37.0	32.8
Taxation charge	(9.8)	(8.0)	(7.5)	(7.0)	(6.2)
Profit for the period from continuing operations	19.3	31.5	30.1	30.0	26.6
Adjusted profit before tax	37.7	43.4	41.0	40.4	35.6
Net assets employed					
Non-current assets	975.3	860.8	782.6	724.0	684.8
Current assets and asset held for sale	14.3	21.2	18.0	18.5	22.7
Current liabilities	(91.0)	(51.2)	(47.1)	(71.4)	(41.8)
Non-current liabilities	(307.8)	(237.5)	(204.3)	(178.1)	(213.2)
	590.8	593.3	549.2	493.0	452.5
Financed by					
Share capital	6.1	6.1	6.1	6.1	6.1
Reserves	584.7	587.2	543.1	486.9	446.4
	590.8	593.3	549.2	493.0	452.5
Purchase of fixed assets, lease premiums and business combinations	62.4	67.0	53.0	38.3	45.1
Net debt	(280.4)	(163.6)	(140.5)	(126.6)	(130.2)

	Pence	Pence	Pence	Pence	Pence
Per 12.5p ordinary share					
Adjusted basic earnings from continuing operations	60.18	72.13	67.74	66.43	58.44
Basic earnings from continuing operations	39.37	64.36	61.60	61.51	54.73
Dividends – paid in period	21.38	20.17	19.03	17.95	16.94
Gearing	47.5%	27.6%	25.6%	25.7%	28.8%
Average number of employees	4,763	4,735	4,116	3,924	3,735

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 the action you should take, you should immediately consult your stockbroker, solicitor, accountant or other duly authorised professional adviser.

If you have sold or otherwise transferred all your shares, please pass this annual report and any accompanying documents (except any personalised proxy form, if applicable) to the purchaser or transferee, or to the person through whom the sale or transfer was arranged, so they can pass it or them to the person who now holds the shares.

If you hold any A shares, you should have received a proxy form for use in respect of 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. Please complete and submit the proxy form as, in light of the Covid-19 situation it is not expected to be possible for shareholders to attend the meeting in person; it must be received by Computershare Investor Services PLC by 11.30am on Sunday, 19 July 2020.

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

Notice is hereby given that the 131st annual general meeting of Young & Co.'s Brewery, P.L.C. (the "Company") will be held at the Company's offices at Riverside House, 26 Osiers Road, Wandsworth, London SW18 1NH on Tuesday, 21 July 2020 at 11.30am. In light of the Covid-19 situation, it will be held as a closed meeting. The Company is committed to protecting the health and well-being of its shareholders and of the general public and therefore, in line with the UK Government Stay At Home Measures, shareholders will not be permitted entry to the AGM. Attendance will be strictly restricted to specified individuals to ensure that the AGM is quorate to conduct the Company business set out below. Resolutions 1 to 9 will be proposed as ordinary resolutions, and resolutions 10 and 11 will be proposed as special resolutions, and all A shareholders are asked to vote on these resolutions in advance of the AGM by filling in the accompanying proxy form.

Should circumstances change before the AGM such that shareholders are able to attend, the Company will update shareholders accordingly.

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.

Annual accounts and reports

1. To receive the Company's annual accounts for the financial year ended 30 March 2020, together with the strategic report, directors' report and the auditor's report on those accounts and reports.

Auditor appointment

2. To resolve that Ernst & Young LLP be, and is hereby, re-appointed as the Company's auditor to hold office 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.

Auditor remuneration

3. To resolve that the directors be, and are hereby, authorised to determine the remuneration of the Company's auditor.

Re-appointment of directors

4. To resolve that Mike Owen be, and is hereby, re-appointed as a director.
5. To resolve that Simon Dodd be, and is hereby, re-appointed as a director.
6. To resolve that Tracy Dodd be, and is hereby, re-appointed as a director.
7. To resolve that Nick Miller be, and is hereby, re-appointed as a director.

Political donations and expenditure

8. To resolve 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 11.59pm on 30 September 2021) 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.

Notice of meeting continued

Directors' authority to allot shares etc.

9. To resolve that the directors be, and are hereby, generally and unconditionally authorised to allot shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company:

   (a) up to a nominal amount of £2,043,189 (such amount to be reduced by any allotments or grants made 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 £4,086,378 (such amount to be reduced by any allotments or grants made under paragraph (a) above) in connection with an offer by way of a rights issue:

      (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

      (ii) to holders of other equity securities as required by the rights of those securities or as the directors otherwise consider necessary,

   and so that the directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter,

   such authority to apply until the end of next year's annual general meeting (or, if earlier, until 11.59pm on 30 September 2021) 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 convert securities into shares to be granted after the authority ends and the directors may allot shares or grant rights to subscribe for or convert securities into shares under any such offer or agreement as if the authority had not ended.

Disapplication of pre-emption rights

10. To resolve that, if resolution 9 is passed, the directors be, and are hereby, given power to allot equity securities (as defined in the Companies Act 2006) for cash under the authority given by that resolution and/or to sell 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 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 9, by way of a rights issue only):

       (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

       (ii) to holders of other equity securities, as required by the rights of those securities, or as the directors otherwise consider necessary,

    and so that the directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and

    (b) in the case of the authority granted under paragraph (a) of resolution 9 and/or in the case of any sale of treasury shares, to the allotment of equity securities or sale of treasury shares (otherwise than under paragraph (a) above) up to a nominal amount of £306,478,

    such power to apply until the end of next year's annual general meeting (or, if earlier, until 11.59pm on 30 September 2021) but, in each case, 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.

Authority to purchase own shares

11. To resolve 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 shares of 12.5p each, provided that:

    (a) the maximum number of shares hereby authorised to be purchased (which may be all A shares, all Non-Voting shares or a mix) is 4,903,654;

    (b) the minimum price, exclusive of expenses, which may be paid for a share is 12.5p; and

    (c) the maximum price, exclusive of expenses, which may be paid for a share is the highest of:

        (i) an amount equal to 5% above the average of the middle market quotations for a share of that class 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; and

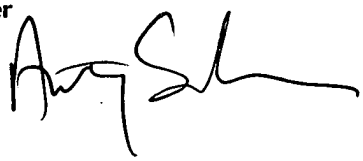
        (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venues where the purchase is carried out at the relevant time,

    such authority to apply until the end of next year's annual general meeting (or, if earlier, until 11.59pm on 30 September 2021) but during this period the Company may enter into a contract to purchase shares which would, or might, be completed or executed wholly or partly after the authority ends and the Company may purchase shares pursuant to any such contract as if the authority had not ended.

By order of the board

Anthony Schroeder
Company Secretary

3 June 2020



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

Registered in England and Wales No. 32762

Notes

Shareholders should note that, in light of the Covid-19 situation, it is not expected to be possible for shareholders to attend the meeting in person. All A shareholders should therefore vote on the resolutions in advance of the AGM by filling in the accompanying proxy form. The notes below should be read in this context.

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, 20 July 2020 (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, 19 July 2020.

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.

Notice of meeting continued

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.

(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 duly authorised 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 registrar

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 at the Company's offices at Riverside House, 26 Osiers Road, Wandsworth, London SW18 1NH 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 2020 annual report or any proxy form for the Company's 131st 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 131st annual general meeting of Young & Co.'s Brewery, P.L.C. (the "Company") to be held on Tuesday, 21 July 2020 is set out on pages 119 to 123.

Resolutions 1 to 9 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: auditor appointment

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 3: auditor remuneration

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

Resolutions 4, 5, 6 and 7: re-appointment of directors

Mike Owen, Simon Dodd, Tracy Dodd and Nick Miller are all retiring as directors at this meeting; for Mike Owen and Simon Dodd, this is because they were appointed by the board since the last annual general meeting; for Tracy Dodd and Nick Miller, this is because they were directors at the last two annual general meetings and did not retire at either of them. All are seeking re-appointment; their brief biographical and other details are on pages 36 and 37.

Resolution 8: political donations and expenditure

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 9: directors' authority to allot shares etc.

Paragraph (a) of this resolution would give the directors the authority to allot shares or grant rights to subscribe for or convert any securities into shares up to an aggregate nominal amount equal to £2,043,189 (representing 16,345,512 shares of 12.5p each). This amount represents approximately one-third of the Company's issued share capital as at 30 May 2020. In line with guidance issued by the Investment Association in July 2016, paragraph (b) of this resolution would give the directors authority to allot shares or grant rights to subscribe for or convert any securities into shares in connection with a rights issue in favour of ordinary shareholders up to an aggregate nominal amount equal to £4,086,378 (representing 32,691,024 shares), as reduced by the nominal amount of any shares issued under paragraph (a) of this resolution). This amount (before any reduction) represents approximately two-thirds of the Company's issued share capital as at 30 May 2020. The authority sought under this resolution will expire at the end of next year's annual general meeting (or, if earlier, at 11.59pm on 30 September 2021). The directors have no present intention to exercise the authority sought under this resolution. As at the date of the notice, no shares are held by the Company in treasury.

Resolutions 10 and 11 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 10: disapplication of pre-emption rights

This resolution would give the directors the 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 power would 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 £306,478 (representing 2,451,824 shares). This amount represents approximately 5% of the Company's issued share capital as at 30 May 2020. The power sought under this resolution will expire at the end of next year's annual general meeting (or, if earlier, at 11.59pm on 30 September 2021).

Resolution 11: authority to purchase own shares

This resolution would give the Company the authority to purchase up to 10 per cent of the Company's issued shares (excluding any treasury shares). The directors have no present intention to exercise 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. Shares purchased by the Company pursuant to this authority may be held in treasury or may be cancelled. The Company currently has no shares in treasury. The minimum price, exclusive of expenses, which may be paid for a share is 12.5p. The maximum price, exclusive of expenses, which may be paid for a share is the highest of (i) an amount equal to 5% above the average of the middle market quotations for a share of that class as derived from the AIM appendix to the Daily Official List of the London Stock Exchange for the five business days immediately preceding the date of the purchase and (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venues where the purchase is carried out at the relevant time. As at 30 May 2020, the Company had options outstanding over 136,208 A shares, representing 0.28 per cent. 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 by this resolution 11, these options would then represent 0.35 per cent. of the Company's issued share capital. No warrants to subscribe for shares are outstanding. The authority sought under this resolution will expire at the end of next year's annual general meeting (or, if earlier, at 11.59pm on 30 September 2021).

Senior personnel, committees, banks, advisers and others

Directors

Stephen Goodyear
Non-executive Chairman

Patrick Dardis
Chief Executive

Mike Owen
Chief Financial Officer

Simon Dodd
Chief Operating Officer

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

Ian McHoul (Chairman)
Stephen Goodyear
Roger Lambert
Trish Corzine
Nick Miller

Remuneration committee

Nick Miller (Chairman)
Roger Lambert
Trish Corzine

Banks

HSBC Bank plc
8 Canada Square
London E14 5HQ

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

Barclays Bank plc
1 Churchill Place
London E14 5HP

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

Gowling WLG (UK) LLP
Two Snowhill
Birmingham
B4 6WR

Slaughter and May
One Bunhill Row
London EC1Y 8YY

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. 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. 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**

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