

## **Interim Results.**

13 November 2003

### **INTERIM RESULTS FOR THE 26 WEEKS TO 27 SEPTEMBER 2003**

#### **Highlights**

- Turnover increased to £57.7 million up 4.0%
- Operating profit up to £6.6 million up 4.2%
- Profit before tax up to £5.0 million up 7.1%
- Adjusted profit before tax of £4.8 million\* up 3.3%
- Basic earnings per share of 27.83p up 11.9%
- Adjusted earnings per share of 26.37p\* up 6.1%
- Dividend per share increased to 10.85p up 5.3%

\* Adjusted to exclude non-operating exceptional items

- Interim results show benefits of the summer weather, especially in our garden and riverside pubs;
- Managed pubs turnover was up 7.2% and profits were up 6.7%, excluding the 12 pubs transferred to tenancy in the period. These transfers helped tenanted turnover increase by 22.9% and profit by 11.4%;

- Own beer volumes were up 4.9%, with our core business of cask ale sales up 3.9% against a market decline of 8%. Young's Bitter was the star performer, with volumes up 7.3%.
- Total beer volumes were up 1.6%, with a strong performance from factored beers, predominantly lager, offset by a reduction in contract beer volumes;
- Free trade continues strong growth in a competitive market place, with volumes up 9.9%, with the biggest increases coming from the wholesale channel and free independents. Young's Bitter is now available at all central London railway stations, which we hope will provide a good antidote to commuter stress;

John Young, Chairman, commented:

"The summer weather provided a welcome change after several difficult years and the benefit of the sunshine shows through clearly in these results, particularly in our retail estate. England's progress in the Rugby World Cup has continued this positive trading environment.

"It is also pleasing to note some signs of improving economic conditions in our London heartland, although these are tempered by the possibility of further interest rate rises, which could hinder any recovery, and the fact that our industry continues to bear the burden of many government imposed increases in operating costs.

"With all these mixed signals, it is difficult to predict the outcome for the year as a whole and much will depend on trade over Christmas. Nevertheless, we are continuing to improve the performance of the business and are confident that we can continue to deliver progress."

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#### Chairman's statement

Profit before tax was up 7.1% at £5.0M, and by 3.3% once adjusted for non-operating exceptional profits. This resulted in basic earnings per share growing by 11.9% and adjusted earnings per share by 6.1%; faster than the underlying profit, reflecting the effect of share repurchases last year.

Turnover increased by 4%, benefiting from the summer weather. Operating profit increased by 4.2%, which would have been higher were it not for further increases in employee, tax and regulatory costs.

The Board believes that dividend increases are an integral part of delivering shareholder value and is confident in declaring an interim dividend of 10.85p up 5.3%. This will be paid on 12 December 2003 to shareholders on the register on 21 November 2003.

#### Managed pubs and inns

In what was one of the best summers for many years, the retail estate performed well, especially in our garden and riverside pubs which account for a large part of the estate. There are a number of city pubs that did not benefit from this long period of hot weather. Excluding the 12 pubs transferred to tenancy and disposals, managed house turnover and profits were up 7.2% and 6.7%. Like for like houses, which additionally exclude those where significant capital has been invested, were up 3.3% in terms of both profits and sales.

During the period we invested £4.4 million in our managed estate. Three major developments were completed, the Duke of Devonshire in Balham, the Lock Keeper in Keynsham and the City Gate in Exeter, which had 15 rooms added. The total number of rooms in our estate is now 368 with a further 19 under development at the Crown, Chertsey. Two prime retail sites at St Paul's and in Putney are currently under development and will be opened in the second half,

but opportunities to acquire quality sites at economic prices remain scarce. The total number of pubs under management including the two under development is 111.

Inn profits were ahead 9.4%, led by food and drink sales rather than accommodation, which continues to suffer from lower tourism rates. Room rates were reduced further to support occupancy which fell by 0.8% to 64.4%. Consequently REVPAR in our inns was down to £38.89, a fall of 1.9%<sup>m</sup>. However we are confident that the investment we are making in our inns is for the long term benefit of the company.

#### Tenancies

Tenanted turnover was up by 22.9% on last year and profit was up by 11.4%. Excluding the additional pubs transferred from managed houses, turnover was up a more modest 4.9% and profits down 0.6% due to large repair expenditure in the half. We invested £0.3 million in our tenanted pubs during the summer and sold the Pickwick at Eton Wick. The total number of tenancies in the estate is now 95.

#### Brewing and brands

Own beer volumes were up 4.9%, with our core business of cask ale sales up 3.9% in a market down 8%, largely driven by Young's Bitter which was up 7.3%. Factored beers, predominantly lagers, benefited from the hot weather, with volumes up 7.6%.

Total beer volumes were up only 1.6% as contract beer volumes have fallen. Contract beer now comprises 27% of production, providing a valuable contribution to overheads, but the focus remains on building volume in Young's own brands. Our main contracts are with Interbrew and Scottish Courage.

Advertising during the period focused on the key fixtures in the domestic and international cricket calendar with Young's Bitter featured in the sports sections of many broadsheet newspapers. More recently, Young's Rugby World Cup supporters' packs have been used by over 400 pubs (both tied and free trade) to promote Young's beers and the pub as the place to watch the action from Australia.

## Free trade and exports

Free trade has shown strong growth in a competitive market place with volumes up 9.9%. This has been led by strong increases in the wholesale channel where volumes have increased by 69.4%. Multiple pub groups are up 2.6% with continued growth within the key pub groups providing vital exposure for our cask beers. The free independent trade channel continues to perform well with volumes up 9.4%. Tied in to our focus on cricket, Young's Bitter is available at Lord's cricket ground. It is also now available at all central London railway stations, which we hope will help ease commuter stress. Take home volumes stood up well in what is a very competitive market.

Exports have enjoyed considerable increases in our main market, the United States and recent growth has continued in Italy, Finland and Sweden. Exports at the end of the period accounted for 7.3% of our own beer production.

Free trade and exports further increased their share of total own beer volumes, accounting for 63.6% of the total compared with 60.8% at the full year.

## Cockburn & Campbell

Turnover was up by 6% for Cockburn & Campbell, our wines and spirits business, with wine sales to our own pubs particularly strong. The hot summer has caused a move away from red wine to white, sparkling and in particular rose, which saw sales increase 50%. Outside the tied estate, business increased substantially around the UK, particularly in the north of England, helped by the successful launch of Museum, our new Spanish range. Due to the strong euro net profit for the division was down by 5%.

## Investment and finance

Capital expenditure for the six months was £5.9 million, of which £4.7 million was spent on the retail estate. Net debt at the end of September was £50.7 million

and gearing was 34.6%. The increase in profit provides interest cover of 3.7 times. This provides plenty of scope for further expansion or the repurchase of shares as appropriate and depending on the opportunities that present themselves.

#### Management

In July 2003, Stephen Goodyear assumed the role of Chief Executive from Patrick Read, as previously reported. Additionally in August we welcomed Patrick Dardis to the Board as Retail Director. Patrick joined Young's in November 2002 and brings a wealth of pub retail experience from over twenty years in the trade, latterly as director of retail operations at Wolverhampton and Dudley Breweries.

#### Outlook

The uplift in trade has clearly been helped by the good summer but there are also emerging signs that give cause for improved confidence, particularly in relation to the London economy. This confidence is tempered by the expectation of further interest rate rises, which could hinder any recovery.

Our industry continues to bear the burden of many government policies, with increases in national insurance, licensing reforms and proposed changes to stamp duty, in particular on leases, which are effectively a new stealth tax on growth, all of which are certain to increase our operating costs.

On the plus side, England's progress in the Rugby World Cup is most welcome and has had a positive impact on our retail trade. We wish the team continued success in the closing stages of the competition.

With all these mixed signals, it is difficult to predict the outcome for the year as a whole and much will depend on the Christmas trade. However, we are continuing to improve the performance of the business and are confident that we can continue to deliver growth in the future.

YOUNG & CO.'S BREWERY, P.L.C.

Unaudited profit and loss account

For the 26 weeks ended 27 September 2003

	26 weeks to Sept 03 £000	26 weeks to Sept 02 £000	52 weeks to Mar 03 £000
Turnover	57,663	55,448	107,828
Net operating costs	(51,079)	(49,128)	(95,875)
Operating profit	6,584	6,320	11,953
Non-operating exceptional items	178	-	757
Profit on ordinary activities before interest	6,762	6,320	12,710
Net interest charge	(1,759)	(1,649)	(3,343)
Profit on ordinary activities before tax	5,003	4,671	9,367
Tax on profit on ordinary activities	(1,616)	(1,565)	(2,768)
Profit on ordinary activities after tax	3,387	3,106	6,599
Preference dividends on non-equity shares	-	(56)	(113)
Profit attributable to ordinary shareholders	3,387	3,050	6,486
Ordinary dividends on equity shares	(1,325)	(1,288)	(2,643)
Retained profit for the financial period	2,062	1,762	3,843

	Pence	Pence	Pence
Basic earnings per 50p ordinary share	27.83	24.86	52.98
Effect of non-operating exceptional items	(1.46)	-	(6.59)
Adjusted earnings per 50p ordinary share	26.37	24.86	46.39
Diluted basic earnings per 50p ordinary share	27.55	24.66	52.63

The results above are all in respect of continuing operations of the company.

There are no recognised gains and losses other than those disclosed above.

YOUNG & CO.'S BREWERY, P.L.C.

Unaudited balance sheet

At 27 September 2003

	At Sept 03 £000	At Sept 02 £000	At Mar 03 £000
Fixed assets	208,971	206,865	207,739
Current assets and liabilities			
Stocks	4,444	4,631	4,207
Debtors	7,768	7,592	6,938
Creditors: amounts falling due within one year	12,212	12,223	11,145
Net current liabilities	(17,939)	(19,423)	(19,652)
Total assets less current liabilities	(5,727)	(7,200)	(8,507)
	203,244	199,665	199,232
Creditors: amounts falling due after more than one year	(49,113)	(46,914)	(47,409)
Provisions for liabilities and charges	(7,475)	(7,066)	(7,229)
	146,656	145,685	144,594
Capital and reserves			
Called-up share capital: equity	6,378	6,475	6,378
non-equity	-	1,361	-

Share premium account	1 , 352	1 , 375	1 , 363
Capital redemption reserve	1 , 458	-	1 , 458
Revaluation reserve	88 , 094	88 , 646	87 , 911
Profit & loss account	49 , 374	47 , 828	47 , 484
Equity shareholders' funds			
	146 , 656	144 , 324	144 , 594
Non-equity shareholders' funds			
	-	1 , 361	-
	146 , 656	145 , 685	144 , 594 .

YOUNG & CO.'S BREWERY, P.L.C.

Unaudited cash flow statement

For the 26 weeks ended 27 September 2003

	26 weeks to Sept 03 £000	26 weeks to Sept 02 £000	52 weeks to Mar 03 £000
Net cash inflow from operating activities	8,889	9,034	19,623
Interest received	9	5	13
Interest paid	(1,640)	(1,694)	(3,524)
Non-equity dividends paid	-	(56)	(124)
Returns on investments and servicing of finance	(1,631)	(1,745)	(3,635)
Corporation tax paid	(1,173)	(728)	(2,358)
Purchases of tangible fixed assets	(5,922)	(10,166)	(16,486)
Sales of tangible fixed assets	1,049	134	2,883
Capital expenditure	(4,873)	(10,032)	(13,603)
Equity dividends paid	(1,361)	(1,313)	(2,595)
Cash outflow before financing	(149)	(4,784)	(2,568)
Increase in loan capital	1,718	1,444	1,889
Repurchase of share capital	-	-	(3,172)
(Decrease)/increase in lease finance	(7)	(6)	61
Financing	1,711	1,438	(1,222)
Increase/(decrease) in cash in period	1,562	(3,346)	(3,790).

YOUNG & CO.'S BREWERY, P.L.C.

Reconciliation of net cash flow to movement in net debt

For the 26 weeks ended 27 September 2003

	26 weeks to Sept 03 £000	26 weeks to Sept 02 £000	52 weeks to Mar 03 £000
Increase/(decrease) in cash in period	1,562	(3,346)	(3,790)
Increase in debt in period	(1,711)	(1,438)	(1,950)
Increase in net debt in period	(149)	(4,784)	(5,740)
Opening net debt	(50,588)	(44,848)	(44,848)
Closing net debt	(50,737)	(49,632)	(50,588)

## Notes to the accounts

### (1) Accounts

The interim accounts have been prepared on the basis of the accounting policies set out in the company's statutory accounts for the 52 weeks ended 29 March 2003. The accounts present information about the company as an individual undertaking.

The interim report is unaudited and does not amount to full accounts within the meaning of S.240 of the Companies Act 1985. Full accounts for the 52 weeks ended 29 March 2003, including an unqualified auditors' report, have been delivered to the Registrar of Companies.

### (2) Taxation

Corporation tax has been provided on the profits for the 26 weeks to 27 September 2003 at a rate of 30% (2002: 30%; for the 52 weeks to 29 March 2003: 30%).

### (3) Earnings per share

Earnings per share are calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue.

The weighted average number of ordinary shares in issue, which exclude the investment in own shares, is 12,171,717 (2002: 12,268,839; for the 52 weeks to 29 March 2003: 12,241,918).

Diluted earnings per ordinary share are calculated by adjusting basic earnings per ordinary share to reflect the notional exercise of the weighted average number of ordinary share options outstanding during the period. The resulting weighted average number of ordinary shares is 12,293,532 (2002: 12,367,894; for the 52 weeks to 29 March 2003: 12,322,681).

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

(4) Ordinary dividends on equity shares

	26 weeks to Sept 03 Pence	26 weeks to Sept 02 Pence	52 weeks to Mar 03 Pence
Interim dividend	10.85	10.30	10.30
Final dividend	-	-	11.10
	10.85	10.30	21.40

The trustees of the Ram Brewery Trust have waived their rights to dividends on shares held within the Ram Brewery Trust General Fund on behalf of the directors' share option schemes.

(5) Net cash inflow from operating activities

	26 weeks to Sept 03 £000	26 weeks to Sept 02 £000	52 weeks to Mar 03 £000
Operating profit	6,584	6,320	11,953
Depreciation	3,842	3,701	7,382

Movements in working capital

Stocks	( 237 )	( 127 )	297
Debtors	( 830 )	( 1,145 )	( 491 )
Creditors	( 470 )	285	482
Net cash inflow from operating activities	8 , 889	9 , 034	19 , 623