



16 November 2006

INTERIM RESULTS

for the 26 weeks to 30 September 2006

Financial Highlights

- Turnover increased to £69.1 million up 10.6%
- Adjusted profit before tax of £5.8 million* up 4.8%
- Reported profit before tax of £42.7 million up 885.5%
- Adjusted earnings per share of 33.83p* up 6.4%
- Proposed dividend per share increased to 18.00p up 50.0%

**Excludes exceptional items and discount of site proceeds*

- Total managed house turnover up 15.2% with operating profit up 7.1%;
- Like for like managed house turnover up 11.2% on an invested basis and 7.0% on an uninvested basis;
- 14 pubs acquired for £32.5 million;
- Successful integration of brewing and wholesaling activities into Wells & Young's Brewing Company, which commenced trading at the beginning of October;
- Sale of Wandsworth sites for £69 million;
- Recent valuation of the estate at £399 million would increase NAV per share by £15.01 to £31.87.

Stephen Goodyear, Chief Executive of Young's, commented:

"This has been an eventful half year for Young's, a period tinged with sadness following the death of our long standing and unique Chairman John Young, but also one in which we have undergone major changes as we set down the foundations for the future of the business.

"We are clear in our determination to build on John's legacy and achieve a step change in the financial performance of the business. We have a retail and property strategy to deliver this transformation, and today's proposed 50% increase in the interim dividend is a sign of our confidence in achieving it.

"Trading in our pubs has been strong in the first half, and this trend has continued in the second half with managed house total sales for the first six weeks up 21.9% and up 10.6% on an invested like for like basis. We have the management, operational infrastructure and financial resources in place to continue this growth. We look forward to the future with considerable confidence."

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INTERIM RESULTS

for the 26 weeks to 30 September 2006

Interim statement

The first half has been a period of enormous change at Young's with the resolution of our future brewing activities through the joint venture with Charles Wells and the sale of the Ram Brewery and nearby office and warehouse space, our Wandsworth sites. Sadly, it also marked the death of our long standing and unique Chairman, John Young. John leaves behind a strong legacy with the foundations firmly in place for Young's continued success.

All of us at Young's share a great attachment to the history and heritage of the Ram Brewery, but the Board has been very aware of the compelling need for change. It has been increasingly difficult for a brewer the size of Young's to compete in a fast consolidating sector, and the costs and inefficiencies of operating the Ram Brewery have also restricted the company's ability to expand. The formation of the Wells & Young's joint venture has enabled us to address these issues and facilitate the sale of the Wandsworth sites to Minerva for £69 million.

One impact of these major changes is that the results for the first half are distorted by operating and non-operating one-off items. These include a substantial profit on the sale of the Wandsworth sites as well as some large exceptional costs connected with this deal and the joint venture. After these adjustments, profit before tax was £5.8 million and adjusted earnings per share were 33.83p up 4.8% and 6.4% respectively.

Looking at the retained retail business, however, shows that we have made good progress in the period. Turnover was up 12.7%, driven by like for like performance, the accelerated roll out of our high quality food offering and past investment. Young's retail business comprised 221 pubs at the end of the first half, of which 178 are freehold and ten are leases with in excess of 45 years to run, with rents that in total amount to less than £10,000. A recently completed valuation of the pub estate has set its value at £399 million, an uplift of £174 million on book value.

The substantial changes to the business executed by the Board in the first half are designed to achieve a step change in financial performance. The Board has a retail and property strategy to deliver this transformation. As a sign of confidence in achieving this, the Board is today proposing a 50% increase in the interim dividend to 18.00p. This will be paid on 8 December 2006 to shareholders on the register on 24 November 2006.

Retail operations

Despite the substantial changes to the business, we retained our operational focus in the period and, supported by a good summer, delivered a strong retail performance in the first half. This highlights the quality of our estate and our determination to widen our point of differentiation in a competitive market place by exploiting our excellent locations, designs, high service standards, quality food and market leading drinks.

Managed pubs

The managed division saw an increase in turnover of 15.2%. Like for like turnover increased 11.2% on an invested basis and 7.0% on an uninvested basis. Operating profit for our managed division increased 7.1%.

The improvement in operating profit was particularly pleasing in view of major disruption from closures during our refurbishment programme, large start up costs incurred on recently acquired pubs, long lead times for our newly built riverside sites and increases in the minimum wage, utilities and business rates.

The new developments and acquired pubs are a clear point of differentiation between us and our competitors. They also demonstrate our intent to raise our standards and set a new level of customer experience. In particular the food offering is individual, exciting and of exceptional quality; it has led the way in contributing to overall food sales growth of 27.2%. Food sales now account for 22.4% of total managed sales.

We invested £31.4 million in our managed estate. Of this, £27.4 million was on new sites including the acquisition of eight pubs towards the end of this period: the Crown & Anchor in Chichester, the Prince Alfred in Maida Vale, the Grange in Ealing, the Grove in Camberwell, the Fire Stables in Wimbledon, the Hollywood in Fulham, the Waterfront in Battersea and the Hand and Spear in Weybridge. Major developments were also completed at the Windmill in Clapham, the Ship and the Alma in Wandsworth, the Duke's Head in Putney, the Bear in Esher, Horts in Bristol, the Riverside in Vauxhall and the Waterside in Fulham. Developments continue at the Dog & Fox in Wimbledon and the Waterfront in Battersea, both of which will be open soon for the important Christmas trade.

In recent years, all development activity has included, where appropriate, investment in covered, well-lit and comfortable outside areas as we prepare for the effects of the outright ban on smoking due to come into force next summer. Whilst there may be some initial downside from a ban, the medium to long term effects are expected to be positive for Young's, especially with our enhanced food offering.

Our hotel rooms showed the early benefit of our room refurbishment programme which commenced last year. RevPar for all our pubs (average room rate achieved multiplied by occupancy percentage) was up 9.0% at £40.73.

The total number of pubs in our managed estate at the end of the period was 116, of which 93 are freehold.

Tenanted and leased

The tenanted and leased division's turnover and profit were down 1.7% and 14.7% respectively, as a direct result of the transfer of some landmark tenanted pubs back in to management. The Ship in Wandsworth and the Duke of Cambridge in Battersea were transferred out during the summer and the Alma in Wandsworth was transferred at the end of last year.

We have invested £6.0 million in the tenanted estate, of which £5.1 million was on six new freehold pubs. We have created a new tenanted site from part of our Dog & Fox redevelopment, and disposed of one freehold and three leasehold pubs.

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

The tenanted estate is an area where we believe we have substantial opportunity. In addition to investing alongside our tenants, we intend to increase markedly the number of long leases that we grant. Such a format inevitably attracts the best operators and should result in a significant improvement in sales and profits. By way of example, one of our few current long lease tenants, Will Beckett at the Marquess Tavern, recently won Time Out's Gastro pub of the year award.

We are aware of the concern that the smoking ban is causing our tenants and have a plan in place for each pub. Fortunately all but nine of our tenancies have outside areas that we believe can provide those customers who wish to, with the opportunity to smoke.

The total number of tenancies at the end of the half was 105, of which 85 are freehold.

Wells & Young's Brewing Company

On 23 May we announced our intention to merge our brewing and wholesaling activities with those of Charles Wells of Bedford. We successfully managed this process, including the matching of Young's beers to Ram Brewery flavours and standards, and Wells & Young's started trading at the beginning of October with Young's holding a 40% share.

The combination of Charles Wells and Young's brewing interests creates a substantial new beer company, with a broad portfolio of growing speciality cask ale and lager brands, led by Young's Bitter (standard) and Wells Bombardier (premium). It operates from the Eagle Brewery in Bedford, one of Europe's most modern breweries, with capacity for further growth. The merger presents opportunities for significant scale synergies and offers greater marketing and sales resource and stronger routes to market than Young's could achieve independently.

The financial impact of the brewing merger for Young's is an immediate annualised improvement in net profit of £2.5 million, commencing 1 October 2006, from improved beer supply terms and other cost savings. In addition, Young's will benefit through its shareholding in Wells & Young's in any profit improvement that the joint venture can achieve through scale, synergy and other integration benefits.

When we announced the Wells & Young's deal, we reported that the cost of selling the Wandsworth sites and fundamental reorganisation costs were likely to be in the order of £8 million. During the course of the first half we have incurred £4.2 million of such costs and there will be further costs in the second half that relate to the decommissioning of the brewery. We continue to anticipate that all reorganisation costs will be within our original £8 million target.

Investment and finance

We invested £37.4 million in the retail business in the first half, of which £32.5 million was on new pubs. This was financed through a new £75 million short-term revolving credit facility. The repayment of this is timed to coincide with the receipt of cash proceeds from the Wandsworth sites sale. Net debt at the end of September was £102.3 million and gearing at the end of the period was 52.4%.

Ongoing strategy

With the resolution of our future brewing operations through the creation of the Wells & Young's joint venture, Young's today is a focused pubs and property business; currently operating managed, tenanted and leased pubs in London and Southern England.

Active operational management

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

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

Active estate management

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

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

Following the sale of the Wandsworth sites and the expected improvements in our financial performance, Young's has substantial headroom for funding acquisitions. We will target pubs that meet our strict investment criteria and produce returns in excess of our cost of capital. Acquisitions will be focused on our existing trading areas of London and Southern England. In line with the Board's stated policy, investment opportunities will be measured against the benefits of returning capital to shareholders.

A greater level of borrowings would also be supported by our recent pub estate revaluation by Fleurets Chartered Surveyors. The market value of the estate is £399 million, an uplift of £174 million on the book value, or an increase of £15.01 per share in net asset value to £31.87 per share. This valuation has been made in accordance with the RICS Appraisal and Valuation Standards (Red Book) and represents the aggregate sum total of the property assets. This is not a portfolio valuation and the value of the estate as a single entity would be significantly higher.

Outlook

The substantial changes to the business and our investments in the first half offer a unique opportunity to improve shareholder returns significantly and to maximise the undoubted potential that lies within the new Young's.

Trading in our pubs has been strong in the first half, and this trend has continued in the second half with managed house total sales for the first six weeks up 21.9% and up 10.6% on an invested like for like basis. The second half will additionally benefit from the new supply agreement, the joint venture and from the recent investments in the retail estate.

We have the management, operational infrastructure and financial resources in place to continue this growth and are looking forward to the future with considerable confidence.

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

Unaudited profit and loss account

For the 26 weeks ended 30 September 2006

	26 weeks to 30 Sept 06 £000	Restated 26 weeks to 1 Oct 05 £000	52 weeks to 1 Apr 06 £000
Turnover	69,135	62,528	123,873
Net operating costs before exceptional items	(62,069)	(55,368)	(110,274)
Operating profit before exceptional items	7,066	7,160	13,599
Operating exceptional items (Note 2(a))	(1,260)	(1,105)	(2,574)
Operating profit	5,806	6,055	11,025
Non-operating exceptional items (Note 2(b))			
Costs of fundamental reorganisation	(4,404)	-	-
Profit/(loss) on sale of fixed assets	46,425	(72)	(70)
Profit on ordinary activities before interest	47,827	5,983	10,955
Net interest charge	(2,188)	(1,920)	(3,873)
Discount of site proceeds	(3,863)	-	-
Other finance income	896	267	527
Profit on ordinary activities before tax	42,672	4,330	7,609
Tax on profit on ordinary activities (Note 3)	(1,432)	(1,845)	(2,958)
Profit attributable to ordinary shareholders	41,240	2,485	4,651
Ordinary dividends on equity shares (Note 4)	(1,498)	(1,414)	(2,808)
Retained profit for the financial period	39,742	1,071	1,843
	Pence	Pence	Pence
Basic earnings per 50p ordinary share (Note 5)	356.41	21.58	40.31
Effect of operating exceptional items	10.89	9.59	18.70
Effect of non-operating exceptional items	(366.86)	0.63	0.64
Effect of discount of site proceeds	33.39	-	-
Adjusted earnings per 50p ordinary share	33.83	31.80	59.65
Diluted basic earnings per 50p ordinary share	347.34	21.09	39.33

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

The comparative figures to 1 October 2005 have been restated for the effects of the recognition of capital gains tax on ESOP allocated shares.

Discount of site proceeds represents the difference between the site proceeds and the net present value of the future cash flows in respect of those proceeds - see note (7).

YOUNG & CO.'S BREWERY, P.L.C.
Unaudited balance sheet
at 30 September 2006

	At 30 Sept 06 £000	Restated At 1 Oct 05 £000	At 1 Apr 06 £000
Fixed assets			
Tangible fixed assets	227,265	213,198	217,526
Investments	20	42	42
Investment in associated undertaking (Note 6)	22,508	-	-
	249,793	213,240	217,568
Current assets and liabilities			
Stocks	1,419	4,364	4,193
Debtors: amounts falling due after more than one year	55,236	-	-
Debtors: amounts falling due within one year	20,901	7,003	6,839
Cash	-	2,174	-
	77,556	13,541	11,032
Short term borrowings	(1,938)	(183)	(283)
Other creditors	(20,185)	(17,371)	(19,261)
Creditors: amounts falling due within one year	(22,123)	(17,554)	(19,544)
Net current assets/(liabilities)	55,433	(4,013)	(8,512)
Total assets less current liabilities	305,226	209,227	209,056
Creditors: amounts falling due after more than one year	(100,358)	(55,058)	(54,140)
Provisions for liabilities and charges	(8,903)	(8,134)	(8,122)
Net assets excluding retirement benefit liability	195,965	146,035	146,794
Retirement benefit liability	(631)	(4,790)	(4,129)
Net assets	195,334	141,245	142,665
Capital and reserves			
Called-up share capital	6,028	6,028	6,028
Share premium account	1,285	1,307	1,296
Revaluation reserve	77,714	87,139	87,139
Capital redemption reserve	1,808	1,808	1,808
Investment in own shares	(2,657)	(2,861)	(2,861)
Profit and loss account	111,156	47,824	49,255
Equity shareholders' funds	195,334	141,245	142,665

The comparative figures at 1 October 2005 have been restated for the effects of the recognition of capital gains tax on ESOP allocated shares.

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

Unaudited cash flow statement

For the 26 weeks ended 30 September 2006

	26 weeks to 30 Sept 06	26 weeks to 1 Oct 05	52 weeks to 1 Apr 06
	£000	£000	£000
Net cash inflow from operating activities (Note 8)	9,527	9,762	21,769
Interest received	108	5	8
Interest paid	(2,384)	(2,002)	(4,021)
Returns on investments and servicing of finance	(2,276)	(1,997)	(4,013)
Corporation tax paid	(1,500)	(1,503)	(3,088)
Purchases of tangible fixed assets	(37,786)	(5,022)	(13,451)
Sales of tangible fixed assets	49	62	123
Costs of fundamental reorganisation	(4,389)	-	-
Capital expenditure & financial investment	(42,126)	(4,960)	(13,328)
Investment in associated undertaking	(10,000)	-	-
Acquisitions & disposals	(10,000)	-	-
Equity dividends paid	(1,498)	(1,414)	(2,808)
Cash (outflow) before financing	(47,873)	(112)	(1,468)
Increase in loan capital	46,226	1,270	362
(Decrease) in lease finance	(9)	(12)	(16)
Financing	46,217	1,258	346
(Decrease)/increase in cash in period	(1,656)	1,146	(1,122)

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

Reconciliation of net cash flow to movement in net debt

For the 26 weeks ended 30 September 2006

	26 weeks to 30 Sept 06	26 weeks to 1 Oct 05	52 weeks to 1 Apr 06
	£000	£000	£000
(Decrease)/increase in cash in period	(1,656)	1,146	(1,122)
(Increase) in debt in period	(46,217)	(1,258)	(346)
(Increase) in net debt in period	(47,873)	(112)	(1,468)
Opening net debt	(54,423)	(52,955)	(52,955)
Closing net debt	(102,296)	(53,067)	(54,423)

YOUNG & CO.'S BREWERY, P.L.C.
Statement of total recognised gains and losses
For the 26 weeks ended 30 September 2006

	26 weeks to 30 Sept 06	Restated	
		26 weeks to 1 Oct 05	<i>52 weeks to 1 Apr 06</i>
	£000	£000	<i>£000</i>
Profit for the financial period	41,240	2,485	<i>4,651</i>
Actuarial gain on retirement benefit schemes	2,169	4,825	<i>5,750</i>
Deferred tax on actuarial gain	(651)	(1,448)	<i>(1,725)</i>
Gain on exchange of assets for interest in associate	11,205	-	-
Total recognised gains for the financial period	53,963	5,862	<i>8,676</i>
Prior year adjustments	-	-	<i>(4,821)</i>
Total gains recognised since last report	53,963	5,862	<i>3,855</i>

The comparative figures to 1 October 2005 have been restated for the effects of the recognition of capital gains tax on ESOP allocated shares.

YOUNG & CO.'S BREWERY, P.L.C.
Reconciliation of movements in shareholders' funds
For the 26 weeks ended 30 September 2006

	26 weeks to 30 Sept 06	Restated	
		26 weeks to 1 Oct 05	<i>52 weeks to 1 Apr 06</i>
	£000	£000	<i>£000</i>
Profit attributable to ordinary shareholders	41,240	2,485	<i>4,651</i>
Dividends	(1,498)	(1,414)	<i>(2,808)</i>
Movement in own shares:			
Employee benefit trust allocations	204	406	<i>406</i>
Actuarial gain on retirement benefit schemes, net of deferred tax	1,518	3,377	<i>4,025</i>
Gain on exchange of assets for interest in associate	11,205	-	-
Net addition to shareholders' funds	52,669	4,854	<i>6,274</i>
Opening shareholders' funds	142,665	136,391	<i>136,391</i>
Closing shareholders' funds	195,334	141,245	<i>142,665</i>

The comparative figures to 1 October 2005 have been restated for the effects of the recognition of capital gains tax on ESOP allocated shares.

Notes to the accounts

(1) Accounts

The interim financial statements were approved by the Board on 15 November 2006. They are unaudited, have been prepared on the basis of the accounting policies set out in the company's statutory accounts for the 52 weeks ended 1 April 2006 and present information about the company as an individual undertaking. They do not constitute statutory accounts within the meaning of S.240 of the Companies Act 1985. Statutory accounts for the 52 weeks ended 1 April 2006 have been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain any statement under S.237 of the Companies Act 1985.

(2) Exceptional items

(a) Operating exceptional items

	26 weeks to 30 Sept 06 £000	26 weeks to 1 Oct 05 £000	<i>52 weeks to 1 Apr 06 £000</i>
Capital gains tax on ESOP allocated shares	1,060	544	708
Property valuations	200	-	-
Site review costs	-	212	335
Lease compensation payments to tenants	-	-	760
Transaction costs	-	-	141
Other employee related matters	-	-	244
Transfer of company's share listing to AIM	-	349	386
	1,260	1,105	2,574

Site review costs in the current financial period have been classified as 'Costs of fundamental reorganisation' in non-operating exceptional costs, due to the finalisation of the site review.

(b) Non-operating exceptional items

	26 weeks to 30 Sept 06 £000	26 weeks to 1 Oct 05 £000	<i>52 weeks to 1 Apr 06 £000</i>
Proceeds from Wandsworth sites	69,000	-	-
Less: Net book value of sites	(10,849)	-	-
Assets held on sites	(11,543)	-	-
Gain on disposal of Wandsworth sites	46,608	-	-
Costs of fundamental reorganisation	(4,404)	-	-
Gain on sale and reorganisation	42,204	-	-
Loss on sale of other properties	(183)	(72)	(70)
	42,021	(72)	(70)

The tax credit on exceptional items was £427,000 for the 26 weeks to 30 September 2006 (2005: £Nil; for the 52 weeks to 1 April 2006: £413,000).

(3) Taxation

Corporation tax has been provided on the profits for the 26 weeks to 30 September 2006 at a rate of 30% (2005: 30%; for the 52 weeks to 1 April 2006: 30%).

(4) Ordinary dividends on equity shares

	26 weeks to 30 Sept 06 Pence	26 weeks to 1 Oct 05 Pence	<i>52 weeks to 1 Apr 06 Pence</i>
Final dividend	12.90	12.25	12.25
Interim dividend	-	-	12.00
	12.90	12.25	24.25

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

(5) Earnings per share

	26 weeks to 30 Sept 06 £000	Restated 26 weeks to 1 Oct 05 £000	<i>52 weeks to 1 Apr 06 £000</i>
Profit attributable to ordinary shareholders	41,240	2,485	<i>4,651</i>
Operating exceptional items, after adjusting for tax	1,260	1,105	<i>2,157</i>
Non-operating exceptional items, after adjusting for tax	(42,448)	72	<i>74</i>
Discount of site proceeds	3,863	-	-
Adjusted earnings	3,915	3,662	<i>6,882</i>

Earnings per share are calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue. An adjusted earnings per share figure is presented to eliminate the effect of the exceptional items and the discount of site proceeds on basic earnings per share.

The weighted average number of shares in issue, which excludes the investment in own shares, is 11,570,927 (2005: 11,517,202; for the 52 weeks to 1 April 2006: 11,536,993). Diluted earnings per share are calculated by adjusting basic earnings per share to reflect the notional exercise of the weighted average number of share options outstanding during the period. The resulting weighted average number of shares is 11,873,082 (2005: 11,781,459; for the 52 weeks to 1 April 2006: 11,824,854).

(6) Wells & Young's Brewing Company Limited

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

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

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

The company's investment in Wells & Young's is being carried at £22.5 million, the company's 40% share of Wells & Young's net assets excluding the company's internally generated beer brands. For the period 29 September 2006 to 30 September 2006, Wells & Young's has neither made a profit nor a loss.

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

(7) Disposal of Wandsworth sites

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

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

The £69 million cash receivable has been discounted to £64.6 million in the financial statements, based on a discount rate of 6% per annum. This discount of £4.4 million has been charged to the profit and loss account after deducting a writeback of £0.5 million and described as "Discount of site proceeds". The £4.4 million is being written back through the profit and loss account over the period until receipt of the final consideration.

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

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

(8) Net cash inflow from operating activities

	26 weeks to 30 Sept 06 £000	Restated 26 weeks to 1 Oct 05 £000	<i>52 weeks to 1 Apr 06 £000</i>
Operating profit	5,806	6,055	<i>11,025</i>
Depreciation	4,422	4,103	<i>8,145</i>
Employee benefit trust share allocations	204	406	<i>406</i>
Provision for capital gains tax on ESOP allocated shares	1,060	544	<i>708</i>
Movements in working capital			
Stocks	2,774	(346)	<i>(175)</i>
Debtors	(4,161)	(756)	<i>(592)</i>
Creditors	(578)	(244)	<i>2,252</i>
Net cash inflow from operating activities	9,527	9,762	<i>21,769</i>