GREENE KING LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 2 JANUARY 2022

REGISTERED NUMBER: 00024511

COMPANY INFORMATION

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GREENE KING LIMITED

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STRATEGIC REPORT

GREENE KING DELIVERS RESILIENT PERFORMANCE AND POSITIONS BUSINESS FOR GROWTH WITH INCREASING INVESTMENT

Financial highlights[1]

- Greene King's financial performance continued to be significantly impacted by COVID-19, which reduced revenue and profitability.
  - All pubs were closed for the first 15 weeks of the reporting period, followed by significant periods with onerous restrictions and suppressed customer demand. This compared to 14 weeks of closures in the previous reporting period.
  - The Omicron variant in December further negatively impacted the business as infection rates rose meaning consumer demand fell and some venues had to close due to staffing unavailability.
- Group revenue rose 41.6% to £1.34bn (£0.95bn), with strong trading in the second half and growth in all five divisions.
- Adjusted operating profit of £18.6m (loss of £186.9m) with statutory operating profit of £63.8m (loss of £433.0m).
- The group returned to being cash generative from operating activities, with free cash flow of £7.2m due to strong trading in the second half and cash preservation measures put in pace during the pandemic.
- The capital structure remains resilient, with balance sheet strength and flexibility maintained, underpinned by financial support of both CKA and bondholders.

Managing through COVID-19

- Management's priorities focused on protecting customers, team members and leased and tenanted partners from the worst impact of the crisis whilst ensuring the financial stability of Greene King to come out of the crisis as strongly as possible.
- Despite trading challenges, the group spent £68m on core capex including investing £4.7m in the development of outdoor trading areas.
- On 31 March 2021, the group repaid the £300m borrowed under the Covid Corporate Financing facility.
- The vast majority of historic lease liabilities which were deferred under the rent moratorium were settled before year-end.
- Team members who were furloughed under the Coronavirus Job Retention Scheme had their salaries topped up to 80% by Greene King.
- Following the launch of our Team Member Support Fund during the first lockdown in 2020, a second fund was set up in January 2021 and provided a further £500,000 for our team members in most financial need, which brought the total amount of support to £1,160,000.
- Leased and tenanted partners were granted c.£18m rent concessions at various points through the year, taking the total level of financial support through COVID-19 to c.£45m. This is in addition to other support such as free membership to the British Institute of Innkeeping and access to Wellbeing and Recovery Hubs.
- Despite all the year's challenges, we proved we have a winning formula by picking up a hat-trick of titles at the prestigious 2021 Publican Awards: We won Best Community Pub Operator for our Local Pubs division, Best Leased & Tenanted Pub Company for the Pub Partners division and CEO Nick Mackenzie was named Business Leader of the Year.

Strategy into action

- The strategic goal, to be the pride of British hospitality, is supported by seven strategy drivers: Brands, Culture, People, Operational Excellence, Digital, Assets and Expand. During 2021 work began in earnest to prepare a longer-term strategic plan.
- Coming out of the third lockdown, Greene King's focus moved to maximising the performance of the business in a balanced way, with a new organisational structure allowing five divisions greater flexibility to drive performance and asset allocation and significant progress was made during the year, including:
  - Refreshing and improving the offer of **Chef & Brewer**.
  - Formation of **Crafted Pub Company**, a new premium pub concept.
  - Expansion of **Metropolitan Pub Company** including moving 4 sites from the core estate and 1 new acquisition, the purchase of the Fountain House in Manchester to drive growth outside of London.
  - Three new concept formats in the **Local Pubs** division with more premium food and drink offers.
  - Launch of **Hive Pubs**, a new branded franchise concept, a community pub model operated by franchisees with specific local knowledge and expertise.
  - **Brewing & Brands** continued the rollout of Ice Breaker unfiltered pale ale.
- The group spent £95.4m on the freehold of 30 sites that were previously leased.
- In addition, £19.3m was spent on four single site acquisitions including subsequent development spend on these sites and the freehold reversion of three further sites.

People

- To thank team members for their hard work during the year, the group rewarded them with a c.£6m Christmas bonus scheme, including £300 cash bonus, extra holiday, an uplift in hourly rates, increased discount, and a meal per shift.
- Agile working was introduced, allowing office-based staff to spend part of their working week away from the office.
- During the period, 920 team members undertook apprenticeships, with 740 completing their apprenticeship.

[1] *The presented performance covers the 52 weeks to 2 January 2022, compared to unaudited proforma figures for 52 weeks to 3 January 2021; through the rest of this report, we also compare to the previously reported audited 36 weeks ended 3 January 2021. The period from 27 April 2020 through to 3 January 2021 ("FY20SY") was a reporting period of 36 weeks, reflecting the move to align Greene King's reporting period with that of CKA, its ultimate parent company.*

Environmental, Social, and Governance

- Continuation of corporate social responsibility activities, including support for The Sun's Jabs Army campaign where team members, many of whom were furloughed, volunteered at vaccination centres, record fundraising for Macmillan Cancer Support and donation of laptops for home schooling.
- Following lockdown, the business collected thousands of unopened full casks of beer so they could be brought back and destroyed in an environmentally friendly way through anaerobic digestion, rather than being poured down the drain.
- Focus on diversity and inclusion with publication of a race manifesto Calling Time on Racism with the aim of increasing representation of Black, Asian and minority ethnic team members in hospitality.
- Other initiatives in 2021 included the launch of a reverse mentoring programme for the executive team.

Looking ahead - focus on driving future growth

- Greene King remains confident in its strategy to deliver outstanding customer experiences through a balanced portfolio of high growth, consistently profitable brands.
- The business plans to increase investment in its businesses in 2022 to drive future growth, with focus on
    - investing in proven concepts as well as continuing the development of exciting new innovative opportunities
    - accelerating digital transformation across all areas of the business particularly on customer-facing areas and strengthening internal systems.
- Whilst demand is recovering, Greene King is mindful of the inflationary pressures impacting its customers alongside the continued recruitment challenges in hospitality.
- To ensure the quick recovery of the sector and assist in its ability to invest and drive economic growth, further government support is needed, particularly with business rates and alcohol duty reforms.

Nick Mackenzie, Greene King chief executive officer, said:

"Greene King has delivered a resilient performance over the past year, against the backdrop of unprecedented disruption to our business. We managed to return to underlying profitability, in spite of our pubs being shut or restricted for long periods of time and our customers facing massive uncertainty and disruption to their lives. This performance is down to the concerted efforts of our 39,000 team members and I want to thank them all for their incredible hard work and resilience.

Whilst sales have broadly returned to 2019 levels, the underlying challenges of significant cost inflation, labour shortages and regulations will continue to impact the pace of recovery of the sector and we therefore look to the government for support through business rates and alcohol duty reforms.

We at Greene King will be playing our part with our plans for significant investment to drive growth across our pub, hotel and brewing businesses. We are confident in our strategy, our brands and our people and continue to see huge long-term potential in the UK hospitality market."

PERFORMANCE SUMMARY

The presented performance covers the 52 weeks to 2 January 2022 and is compared to unaudited proforma figures for the 52 weeks to 3 January 2021 and the previously reported audited 36 weeks ended 3 January 2021. The period from 27 April 2020 through to 3 January 2021 ("FY20SY") was a reporting period of 36 weeks, reflecting the move to align Greene King's reporting period with that of CK Asset Holdings Limited ("CKA"), its ultimate parent company.

Comparability to prior performance is limited with both periods materially impacted by the COVID-19 pandemic. During the 52 weeks ended 2 January 2022 hospitality sites in England were closed under national lockdown for the first 15 weeks of the reporting period until April 2021 when outdoor trading could commence in England. Further restrictions were lifted in England on 17 May when hospitality venues were permitted to trade indoors with additional safety procedures in place such as restrictions on group sizes and requirements for table service only and face coverings. These restrictions were fully lifted in England on 19 July; however continuing levels of COVID-19 infection through July and August with the associated isolation requirements for those infected and their contacts continued to suppress customer demand and also inhibited a small proportion of venues ability to operate. In December 2021, the Omicron variant spread rapidly throughout the country which, alongside government advice on caution albeit without specific restrictions on hospitality in England, negatively impacted consumer confidence whilst concurrently isolation requirements for team members meant that some venues again were not able to operate fully. The detrimental impact to the key Christmas trading period further impacted revenue and operating profit in all reporting segments: Destination Food Brands, Local Pubs, Premium, Urban and Venture, Pub Partners and Brewing & Brands. There were particular challenges within the London market, where continued office closures and work from home advice impacted trading in the Christmas party season.

During the early part of the period management's priorities focused on protecting customers, team members and leased and tenanted partners from the worst impact of the crisis whilst ensuring the financial stability of Greene King to come out of the crisis as strongly as possible. Whilst investment in the estate was limited to conserve cash from January to April, specific investment of £4.7m was directed into development of outdoor trading areas at 74 sites in order to maximise the opportunity once sites were permitted to trade from April 2021. Payment of property rentals due in March and June 2021 were deferred as permitted under the extended moratorium on forfeiture legislation, the vast majority of which were settled before the end of the year. From January 2021 through the third lockdown, 99% of team members were furloughed as we utilised the Coronavirus Job Retention Scheme whilst also topping up salaries to 80% for those above the Scheme's cap. Leased and tenanted partners were granted concessions of 90% whilst sites were closed due to legislative restrictions, reducing to 40% concession for the period from April to July whilst restricted trading was permitted. The 40% concession was reintroduced in December 2021 for sites in Scotland and Wales that were forced to again trade under restriction in response to the Omicron variant. Further support to partner cashflows was provided by suspending full payment of pre-COVID-19 overdue debt and instead moving to agreed repayment plans, which have successfully reduced this debt from c.£10m to c.£5m without undue pressure on the partner businesses.

Group revenue was up 138.7% (52-week proforma: up 41.6%) to £1,341.6m, with revenues up in all five reporting segments. The group made an operating profit before adjusting items of £18.6m from a £185.8m loss (52-week proforma: up 110.0% from a £186.9m loss). The statutory operating profit was £63.8m, up from a loss of £149.3m.

Group adjusted net interest costs rose by 41.3% to £132.4m, which decreased 3.4% compared to the 52-week proforma as lease interest costs fell by £20.2m whilst debt interest costs increased by £15.4m.

Group loss before tax and adjusting items was £113.8m in the 52-week period to 2 January 2022 (£279.5m loss in the 36 weeks ending 3 January 2021). The group made a statutory loss before tax of £70.4m (36 weeks ending 3 January 2021: £248.6m loss).

During the year the group received government support totalling £151.3m: £141.0m of furlough grants for job retention, and £10.3m of State Aid grants which were materially constrained due to state aid caps. The group also benefitted from the temporary reduction in the VAT rate to 5% and subsequently 12.5% from 30 September 2021 for certain supplies in the hospitality sector. The group also repaid all the remaining deferred January to March 2020 quarterly VAT liability in the year and on 31 March 2021, repaid the £300m borrowed under the Covid Corporate Financing facility.

COVID-19

The COVID-19 pandemic continued to restrict hospitality's trading in the UK during 2021. Throughout the year, governments across the devolved nations enforced different social restrictions. These ranged from closing pubs, limiting trading to outdoors or table service only, introducing a rule of six, curfews, vaccine passports and other restrictions to socialising and business, both nationally and regionally, to control the spread of the virus.

At the start of the pandemic, we had three objectives to ensure the financial stability of the business, to exit the crisis as the strongest in the sector and be ready to bounce back, and as far as possible protect our employees and leased and tenanted partners from the worst impact of the crisis.

As we came out of the third lockdown in 2021, we moved to three new objectives:

- Bounce back into action - stronger for our customers, partners, people and our owners
- Finish the strong foundations we are building in Culture, Organisation and Strategy
- Maximise the performance of the business in a balanced way

We used these objectives as we navigated through the pandemic during the second half of 2021.

Throughout the period we conducted significant liaison with government departments, ministers, trade bodies and other key players in the sector, to ensure that our interests and those of our sector were well represented at government level and that key issues and concerns were heard.

Team members

From January 2021, we entered our third national lockdown with all pubs being closed. We placed most of our support teams, along with our Brewing & Brands and Pub Partner teams into the extended Coronavirus Job Retention Scheme (CJRS), the flexible furlough scheme. The flexible furlough scheme enabled some key roles to continue working with the majority working less than their normal hours and receive a furlough top up for the hours they were unable to work. From April 2021, there was a phased reopening for our pubs with outdoor only service until May when indoor hospitality reopened. We exited the furlough scheme for salaried team members in June 2021 and hourly paid staff from July 2021.

Following the launch of our Team Member Support Fund in the first lockdown in 2020, we set up a second fund in January 2021 and provided £500,000 for our team members in most financial need. This takes the total amount provided to £1,160,000 since the start of the pandemic. We partnered with the Licensed Trade Charity to administer this on our behalf. The fund was partly paid for by salary sacrifices from our executive board and senior leaders in the business.

Throughout the year, it was vital our teams were well informed about ongoing changes to restrictions and how they would impact Greene King and the hospitality industry. Our CEO Nick Mackenzie recorded weekly video updates for teams and there were frequent live video conferences and updates on our social media tool, Kingdom, to share information.

We put a programme in place to keep our team members engaged, especially during times of furlough when pubs were closed. We held our first virtual Pride of Greene King Awards, recognising those who had gone above and beyond over the year. Thousands of our team members joined the online awards celebrating individuals and teams who had shone during the most difficult of years.

In May 2021 we held our first virtual talent show for Greene King employees as we celebrated the hidden talents of our pub and brewery teams. The awards were the result of a three-month-long project to keep people who were furloughed engaged and ready for when pubs could reopen across the UK.

Following the success of working from home during lockdowns, we introduced an agile working policy demonstrating the company's flexibility to changing employment needs.

To thank our pub, brewery and support teams for their hard work during such a challenging period, we rewarded them with a c.£6m Christmas bonus scheme which included a variety of rewards for different roles such as a £300 cash bonus, extra holiday allowances, an uplift in hourly rates, increased team member discounts and a free meal per shift.

Following our wellbeing support for our teams during 2020, our Employee Assistance Programme continued to enable team members to have online in-the-moment support, and our mental health first aiders were available throughout the year to assist both line managers and team members.

Partners

Greene King continued to discount tenants' rent by 90% even when pubs were able to open outdoors in the spring of 2021, reducing to 40% concession for the period from April to July whilst restricted trading was permitted. The 40% concession was reintroduced in December 2021 for sites in Scotland and Wales that were forced to again trade under restriction in response to the Omicron variant.

Greene King's Pub Partners division won the Best Leased & Tenanted pub company award at the Publican Awards in March 2021. Judges praised Greene King for looking after tied pub tenants during the COVID-19 pandemic, which judges said was especially impressive 'given the size and scale of the task'. Through 2021, we provided financial support to our tenants' worth c.£18m, mainly through rent concessions.

Communities

Our communities and charity are at the heart of Greene King. At the start of the January 2021 lockdown, we signed up to The Sun newspaper's Jabs Army campaign where our team members, many of whom were furloughed, volunteered as stewards at vaccination centres.

Despite 2021 being a year when pubs were closed or had trade limited for so long, we broke our annual fundraising record and raised c.£2m for our national charity partner, Macmillan Cancer Support. This took our charity partnership fundraising total to over £10m.

When schools had to close this year, we worked with the Unity Schools Partnership and donated 110 laptops to help support families in Suffolk with home schooling.

Customers

As restrictions eased, it was important to ensure teams and customers were confident they could safely socialise and work in our pubs. We continued our Pub Safe promises in our pubs, which included protective measures for teams and customers even when we could reopen without restrictions in England in July 2021.

In April 2021, customers could return to pub gardens which could reopen for outdoor hospitality and indoors in May with restrictions. Finally, in July, pubs in England could reopen without restrictions with Scotland and Wales following in August. We welcomed the return of the Great British pub atmosphere, with customers able to order at the bar and stand up in the pub once more.

Our customer insights meant we could understand their attitudes towards the pandemic and the various safety measures operated by our pubs to reduce the risk of infections spreading.

Customer reputation scores improved during the year, despite the challenges of the pandemic.

Impact on the financial statements

The lockdown at the start of the year which required the closure of pubs had a material impact on revenue, profit and free cash flow for the period to 2 January 2022.

During the year the group received government support totalling £151.3m: £141.0m of furlough grants for job retention, and £10.3m of State Aid grants which were materially constrained due to state aid caps. The group also benefitted from the temporary reduction in the VAT rate to 5% and subsequently 12.5% from 30 September 2021 for certain supplies in the hospitality sector. The group also repaid all the deferred January to March 2020 quarterly VAT liability in the year and on 31 March 2021, repaid the £300m borrowed under the Covid Corporate Financing facility.

During the period the Greene King securitisation breached its Free Cash Flow Debt Service Coverage Ratio (FCF DSCR) covenant, resulting in a borrower-level event of default. In May 2021 the group obtained a bondholder waiver in relation to breaches of the four-quarter lookback FCF DSCR covenant for the five quarters ending April 2021 through April 2022 and the two-quarter lookback FCF DSCR covenant for the three quarters ending April 2021 through to October 2021. All other covenants remained in compliance. As a consequence of the COVID-19 pandemic, in the prior period the Spirit debenture breached its FCF DSCR covenants, resulting in multiple borrower-level events of default. In August 2020 the group sought, but failed to obtain, a bondholder waiver in respect of certain of these events of default, and in light of the failure to obtain that initial waiver the group has not sought further waivers in respect of subsequent covenant breaches. As a result, the Spirit debenture remained in a state of technical default at the year-end. We consider the risk of enforcement to be very low, but we maintain sufficient headroom under our loan facilities to fund the repayment of the outstanding debt should the bondholders seek to enforce.

Although it is certain that the group's credit metrics have deteriorated as a result of the reduced trade arising from the COVID-19 pandemic, its liquidity position remains strong reflecting the resilience of the group's capital structure. The group's average cash cost of debt reduced to 3.5% from 4.1% last period, and at the year-end 93.2% of the group's net debt was at a fixed rate. The Greene King secured vehicle had a two-quarter lookback FCF DSCR of 1.3x at the year end, giving 17% headroom to the covenant limit of 1.1x. The Spirit debenture vehicle had a FCF DSCR ratio of -2.8x, which is below the covenant limit of 1.3x and as a result, as described above, remains in technical default.

COVID-19 has continued to have an impact on the accounting estimates and judgements taken in the financial statements. During the period a charge of £0.9m was recognised in respect of stock-write offs or provisions as a result of the government's decisions for a third national lockdown in January 2021. A net credit of £5.0m was recognised on bad debt provision reversals on both free trade loans as well as trade debt reflecting the additional information available on debt collection.

OUR BUSINESS MODEL

INPUTS
The inputs we rely on enable us to…

PROCESS
…Operate the UK's largest integrated pub company and brewer…

OUTPUTS
…in pursuit of our purpose to pour happiness into lives

People & partnerships
More than 39,000 talented **team members** and around 800 **pub partners** across the UK

Suppliers & resources
A network of **trusted suppliers** providing us with the **resources and goods** we need to run our pub and brewing businesses sustainably

Communities & government
The **engaged communities** which we operate in the UK and the support of **government and trade bodies**

Quality assets
The **estate of pub and brewing assets** we own and operate across the UK and the **sector leading brands** that reflect our rich heritage

GREENE KING

Brands – grow sales through compelling brands

Culture – transform our culture

People – invest in our people

Operational Excellence – operational excellence by managing cost inflation and building sustainable processes

Digital – leverage digital Brands

Assets – unlock value through making the most of our assets

Expand – expand through innovation and targeted acquisitions

Customer
We put customers at the heart of our decision making and strive to consistently deliver outstanding customer experiences

People
We care about and invest in our people to support fulfilling careers in hospitality

Operational Excellence
We create safe and secure environments for our customers and people at the same time as mitigating cost inflation through sustainable and efficient business processes

Financial
Our business model delivers long-term growth and consistent cash generation to benefit all of our stakeholders

Pride
We create a culture of pride in our business as a positive contributor to our communities and our environment

GREENE KING UNLEASHED – OUR CULTURAL AND STRATEGIC TRANSFORMATION

A significant highlight of the last two years has been the development and launch of 'Greene King Unleashed', our cultural and strategic transformation designed to unite our 39,000 team members under a common purpose and shared corporate values and begin unleashing the full potential of the business. The new purpose and values which form part of Unleashed were shaped by our teams and have guided us in all of our decision making through the COVID-19 pandemic, giving us clarity of thought amidst the wider uncertainty.

We defined and communicated a new strategy which at its core has the aspiration to be the pride of British hospitality, aiming to deliver outstanding customer experiences through a balanced portfolio of high growth, consistently profitable brands. This goal is underpinned by several key strategic drivers which we use to inform our strategic planning and capital allocation. The 7 strategy drivers are:

- Brands – grow sales through compelling brands
- Culture – transform our culture
- People – invest in our people
- Operational Excellence – operational excellence by managing cost inflation and building sustainable processes
- Digital – leverage digital
- Assets – unlock value through making the most of our assets
- Expand – expand through innovation and targeted acquisitions

Focus on these strategy drivers, such as transforming our culture and leveraging digital, enabled us to make great steps in putting strategy into action despite the continuation of the pandemic and related restrictions during 2021.

DIVISIONAL PERFORMANCE

Following changes to the structure of the group's internal organisation and subsequent changes to the way financial and management information is presented to the board and the executive team, the composition of the group's reportable segments changed for the year ended 2 January 2022.

The activities of the Managed pub division are now managed in three distinct units with a more focused approach. As a result of these changes, the previously reported Managed pub division activities are now reported under three segments: Destination Food Brands, Local Pubs and Premium, Urban and Venture.

DESTINATION FOOD BRANDS

	FY21 52 weeks ended 02/01/22	FY20SY 36 weeks ended 03/01/21	% change from FY20SY	52-week Proforma to 03/01/21	YOY Change vs FY20 proforma
No. of pubs at year end	652	664	(1.8%)	664	(1.8%)
Revenue	£527.1m	£232.7m	126.5%	£377.9m	39.5%
Adjusted EBITDA[1]	£67.4m	£(27.1)m	348.7%	£(21.8)m	409.2%
Adjusted operating profit/(loss)[2]	£20.9m	£(62.3)m	133.5%	£(72.4)m	128.9%
Statutory operating profit/(loss)	£24.4m	£(52.7)m	146.3%	£(114.2)m	121.4%

1. Adjusted EBITDA represents earnings before interest, tax, depreciation, amortisation and adjusting items.
2. Adjusted measures exclude the impact of adjusting items, for details see APMs on page 97.

Destination Food Brands consists of seven key brands (Chef & Brewer, Farmhouse Inns, Hungry Horse, Wacky Warehouse, Pub & Grill, Greene King Inns and Pub & Carvery) with the focus being on running pubs to bring family and friends together for a broad range of food and drink occasions. The teams have embraced the new culture with the ambition to be at the heart of each of the communities we serve.

As part of the brand evolution, in August we opened a new site that was acquired in the previous financial year, the Riverside in Shrewsbury, under the Chef & Brewer brand and to date it has delivered sales ahead of our expectations. A further site was acquired in Portishead and is undergoing redevelopment before it also opens as a Chef & Brewer in the forthcoming year.

Despite the challenges that our teams faced over the course of the year, with changes in trading restrictions, supply chain challenges and labour shortages, our customer metrics moved forward on all fronts. Reputation.com scores improved by 18 points from prior year. The complaints per 1,000 covers ratio improved by 0.09. Our safety scores also improved with our average Environmental Health ("EHO") rating at the year end at 4.86 of out a maximum of 5.0.

Following the removal of all restrictions in England on 19 July trade continued to recover throughout the second half of 2021 until, on 8 December in response to the Omicron discovery the Prime Minister announced a move to Plan B restrictions, avoiding a lockdown but mandating members of the public to work from home when possible. This severely impacted trade in the final three weeks of the financial year.

Total revenue for the full year was up 126.5% against FY20SY, and up 39.5% against 52-week 2020 proforma which suffered from higher levels of restrictions. We monitor Like for Like ("LFL") sales in order to understand the performance of our estate excluding the impact of new sites and disposals. LFL sales include revenue from the sale of drink, food and accommodation but exclude fruit machine income. LFL sales performance is calculated against a comparable period in the prior year for pubs that were trading for the entirety of both periods, meaning the comparable period is 2019. LFL sales versus 2019 were marginally down for the periods that the pubs traded which was broadly in line with the market (Peach Pub-Restaurants). Excluding the impact of the last three weeks of the financial period which were distorted by the emergence on the Omicron variant, LFL sales for the second half of the year were slightly favourable versus 2019.

Despite the extended period of closure, the division was profitable in the year with an adjusted operating profit of £20.9m, which was £93.3m ahead of the 52-week 2020 proforma adjusted operating loss.

Core development capital expenditure was £4.9m, of which £2.2m was on developing existing sites, £1.7m was on developing gardens to support trade during outdoor only trading restrictions and £1.0m was invested in transitioning two sites from the Pub Partners division into Destination Food Brands. Excluding these transfers from Pub Partners, 37 sites benefitted from core capital expenditure in the year.

A full engagement survey was completed across Destination Food Brands in September with 11,739 participants taking part in the survey. Our sustainable engagement result was 79% whilst business pride was 82%, both in line with the average across the wider Greene King group.

Whilst the first three weeks of trading in the current year have been impacted by the advice and restrictions implemented by the government and the devolved authorities to reduce the spread of Omicron, subsequent weeks of the new year have been much more robust, and we remain confident that our business is well-placed to bounce back in early 2022.

LOCAL PUBS

	FY21 52 weeks ended 02/01/22	FY20SY 36 weeks ended 03/01/21	% change from FY20SY	52-week Proforma to 03/01/21	YOY Change vs FY20 proforma
No. of pubs at year end	599	626	(4.3%)	626	(4.3%)
Revenue	£315.9m	£131.8m	139.7%	£223.5m	41.3%
Adjusted EBITDA[1]	£32.8m	£(27.4)m	219.7%	£(19.0)m	272.6%
Adjusted operating profit/(loss)[2]	£2.6m	£(54.3)m	104.8%	£(57.7)m	104.5%
Statutory operating profit/(loss)	£5.9m	£(50.6)m	111.7%	£(62.3)m	109.5%

1. Adjusted EBITDA represents earnings before interest, tax, depreciation, amortisation and adjusting items.
2. Adjusted measures exclude the impact of adjusting items, for details see APMs on page 97.

Local Pubs lie at the heart of communities up and down the UK with c.600 pubs offering a unique place for customers. The ambition of Local Pubs is to grow sales by keeping our existing customers while also bringing new, mid-sector pub customers through our doors. The team have spent the year studying the latest consumer trends which has helped us develop three distinct pub formats: Pub & Social, Pub & Kitchen and Proper Locals. Each one offers customers a more targeted food and drink service, so should appeal to customers today who expect more when they're eating and drinking in pubs.

Building on from the re-evaluation of our propositions undertaken in 2021, a total of 3 core investment test and learn sites were completed in the year to establish the next generation template of investments across Pub & Social, Pub & Kitchen and Proper Locals.

These have been really tough times, yet our customers are increasingly happy. Measured against 2020, our Reputation.com score increased by 86 points and our complaints per 1,000 covers ratio improved by 0.03. Safety scores also improved with the average Environmental Health ("EHO") rating at the year end at 4.83 of out a maximum of 5.0.

Revenue for the Local Pubs Division was up 139.7% against FY20SY and up 41.3% against 52-week 2020 proforma, which suffered from greater levels of lockdown. Like for Like ("LFL") sales against 2019 for trading pubs were down across the year, however, the Local Pubs Division traded ahead of the Coffer Peach market over the year on a trading pub LFL basis.

The division made an adjusted operating profit of £2.6m, which was £60.3m ahead of the 52-week 2020 proforma adjusted operating loss.

A total of £4.8m of core development capital expenditure was spent on the estate in 2021, garden only investments saw most of the capital to support customer preferences during the pandemic and saw strong sales uplifts across the year. Core developments were centred around our new concept developments, Pub & Social, Pub & Kitchen and Proper Locals.

A full engagement survey was completed across Local Pubs in September with 7,985 participants taking part in the survey. Our sustainable engagement result was 80%, 1% pt. better than the average across the wider Greene King group, whilst business pride was 82%, in line with the wider Greene King group.

In 2022 further test sites of Pub & Social, Pub & Kitchen and Proper Locals are due to be developed ahead of a larger roll out programme over the next 3 years.

Occasions are a key focus for the coming year with a greater focus on targeted occasions and new customer capture as well as setting up for success with the 2022 World Cup.

PREMIUM, URBAN AND VENTURE

	FY21 52 weeks ended 02/01/22	FY20SY 36 weeks ended 03/01/21	% change from FY20SY	52-week Proforma to 03/01/21	YOY Change vs FY20 proforma
No. of pubs at year end	364	378	(3.7%)	378	(3.7%)
Revenue	£235.8m	£83.7m	181.7%	£158.0m	49.2%
Adjusted EBITDA[1]	£38.3m	£(18.0)m	312.8%	£(4.8)m	897.9%
Adjusted operating profit/(loss)[2]	£6.8m	£(42.0)m	116.2%	£(39.6)m	117.2%
Statutory operating profit/(loss)	£6.2m	£(38.1)m	116.3%	£(47.9)m	112.9%

1. Adjusted EBITDA represents earnings before interest, tax, depreciation, amortisation and adjusting items.
2. Adjusted measures exclude the impact of adjusting items, for details see APMs on page 97.

Our Premium, Urban and Venture division contains a collection of iconic pubs, which celebrate their unique identity and personality through our people, our product and our spirit.

The Premium & Urban estate includes a wide variety of different pubs including, historic buildings which have seen hundreds of years of patrons passing through their doors, as well as businesses who thrive on innovation and providing new experiences.

The Venture side of the division is driven primarily by Metropolitan Pub Company (Metro). There are over 60 pubs which are individual and unbranded, each embodying its own personality and character. We invested £2.3m through 2021 by continuing the growth strategy and refurbishing some core sites including garden trading space. The Fountain House in Manchester was also acquired in the period and refurbished to trade as the first Metro pub in northern England.

Crafted Pubs is our new premium pub concept within the Venture side of the division. It connects two key parts of our strategy, growth through compelling brands and asset optimisation. We launched the concept after listening carefully to customers, who told us what they want from a premium pub. As a result, Crafted Pubs is designed to not just meet, but exceed those expectations. In 2021 we opened our first Crafted Pub, The Boat in Solihull, it has been a huge success, trading well above expectations and achieving record-breaking sales, and in December 2021, we opened our second Crafted Pub, The Watermill in Dorking.

Revenue for the division was up 49.2% vs 52-week 2020 proforma basis primarily due to a variation in COVID-19 restrictions between years (up 181.7% vs FY20SY). Like-for-Like sales ("LFL"), measured for open sites only and against 2019 sales were materially down due to the performance of the central London estate which was particularly hard hit by COVID-19 restrictions. Our London estate recovery was supported by an innovative media investment programme which we will continue into 2022.

The division made an adjusted operating profit of £6.8m, which was £46.4m ahead of the 52-week 2020 proforma adjusted operating loss. Core development capital expenditure amounted to £7.0m as Premium, Urban and Venture continued to invest to take full advantage of the reopening of the pub industry.

Reputation.com scores in improved by 82 points from prior year. The complaints per 1,000 covers ratio improved by 0.02. Our safety scores also improved with our average Environmental Health ("EHO") rating at the year end at 4.87 of out a maximum of 5.0.

A full engagement survey was completed across Premium, Urban and Venture in September with 4,557 participants taking part in the survey. Our sustainable engagement result was 79%, in line with the average across the wider Greene King group, whilst business pride was 79%, 3% pts less than the average across the wider Greene King group.

2022 is expected to see a continuation of the division's recovery from the COVID-19 pandemic alongside a focus on key areas of strategic priorities. Crafted Pubs will open its third site, with further expansion to come thereafter. We anticipate growth in our Metro estate as we continue to focus on premiumisation, in line with our anticipation of market demand.

PUB PARTNERS

	FY21 52 weeks ended 02/01/22	FY20SY 36 weeks ended 03/01/21	% change from FY20SY	52-week Proforma to 03/01/21	YOY Change vs FY20 proforma
No. of pubs at year end	1,002	990	1.2%	990	1.2%
Revenue	£109.6m	£40.8m	168.6%	£72.9m	50.3%
Adjusted EBITDA[1]	£46.7m	£10.4m	349.0%	£26.6m	75.6%
Adjusted operating profit/(loss)[2]	£35.1m	£0.9m	3,800.0%	£13.1m	167.9%
Statutory operating profit/(loss)	£45.5m	£4.5m	911.1%	£0.8m	5,587.5%

1. Adjusted EBITDA represents earnings before interest, tax, depreciation, amortisation and adjusting items.
2. Adjusted measures exclude the impact of adjusting items, for details see APMs on page 97.

In Pub Partners we have a high-quality portfolio of 1,002 tenanted and leased pubs. The division generates significant and stable cash flow for the group, adds purchasing scale, enhances the Greene King brand and provides flexibility in our estate planning. When COVID-19 struck, the guiding principles as a business were for us to avoid business failures, support our partners and ensure we came out as the strongest in the sector.

In line with the rest of the hospitality sector, all of our pubs were closed for the majority of the first half of the year as a result of COVID-19 and we supported our tenants through this period financially, providing a 90% concession on their rent. Once pubs were able to reopen with restrictions, we continued to support partners with a 40% concession until mid-July when all trading restrictions were removed. We also provided survival and recovery initiatives including beer returns, free personal protective equipment/screens, 24-hour advice, free British Institute of Innkeeping membership, the launch of our Wellbeing and Recovery Hubs and a Pub Power toolkit which directs tenants to a broad range of support options. We further supported partner cashflows by arranging repayment plans for debt existing pre-pandemic rather than expecting immediate payment on commencement of trading. This debt has reduced from c.£10m to c.£5m. In total we provided financial support to our tenants worth c.£18m in FY21, mainly through rent concessions, and this is in addition to the £26m support we provided in FY20SY.

As a result of the pandemic, trade was very much weighted towards the second half of the year. Total revenue in the year was £109.6m, with c.70% of this delivered in H2 and of our £46.7m of EBITDA delivered in FY21, c.80% was delivered in H2.

Investing in our pubs is a critical part of our strategy and despite the impact of the pandemic we continued to invest in our estate and our partners with total capital expenditure of £11.5m in FY21. Within this £6.4m of development capital was invested to drive income growth across 120 pubs. Despite the tough trading conditions, this capital investment continued to deliver a strong return, with FY21 projects delivering an average blended ROI of 32%.

Innovation continues to be an important part of our strategy and in FY21 we launched a new market leading franchise agreement that complements our existing portfolio of agreements and better reflects the needs of our partners during these changing times. Incoming costs for partners are low, whilst there is a guaranteed income plus further performance related incentives available. Our rigorous site criteria will enable us to open more than 100 franchise pubs over the next five years.

We continue to receive strong feedback from both our internal teams and our partners, showing the strength of both the internal and external relationships that we have built with stakeholders. Over 90% of our tenants have stayed in their pub during 2021 and the Licensee Index shows that they are the most positive about the future in the sector. In addition, average tenant tenure has increased to 6 years 10 months.

We are governed by the Pubs Code and take our responsibilities seriously. We held a Code Compliance Officer Meet & Greet session for tenants with Pub Code Adjudicator, Fiona Dickie. The Licensee Index confirmed the level of awareness of the Pubs Code was the highest amongst our tenants versus the other regulated pub companies.

We were pleased that the quality of the business was recognised at the 2021 Publican Awards where Greene King Pub Partners won Best Leased & Tenanted Pub Company.

BREWING & BRANDS

	FY21 52 weeks ended 02/01/22	FY20SY 36 weeks ended 03/01/21	% change from FY20SY	52-week Proforma to 03/01/21	YOY Change vs FY20 proforma
Revenue[1]	£153.2m	£73.1m	109.6%	£115.1m	33.1%
Adjusted EBITDA[2]	£11.1m	£(10.8)m	202.8%	£(10.1)m	209.9%
Adjusted operating profit/(loss)[3]	£0.9m	£(18.1)m	105.0%	£(20.2)m	104.5%
Statutory operating profit/(loss)	£0.2m	£(5.9)m	103.4%	£(231.4)m	100.1%

1. Revenue disclosed is entirely in relation to third party customers
2. Adjusted EBITDA represents earnings before interest, tax, depreciation, amortisation and adjusting items.
3. Adjusted measures exclude the impact of adjusting items, for details see APMs on page 97

Brewing & Brands brews, sells and distributes a wide range of market leading beers, including Greene King IPA, Old Speckled Hen, Abbot Ale, Ice Breaker and Belhaven Best, from our two breweries in Bury St Edmunds and Dunbar. Revenue was £153.2m which is 33.1% higher than the 52-week 2020 proforma basis with adjusted operating profit at £0.9m which is up 104.5% vs 52-week 2020 proforma basis.

It has been a challenging year for drinks deliveries within the UK, having to contend with significant variations in order profiles due to lockdowns and regional COVID-19 restrictions. Supply issues resulting from staff availability, retention and sickness were overcome with the combined effort of our Greene King depots and our third-party logistics partners, both of whom provided excellent support to the Scottish Central belt.

Our brewing and distribution teams made changes to the operations of our breweries to ensure appropriate COVID-19 measures were in place to allow our teams to work safely whilst also meeting meet the changing demands of our customers. Significant planning went into the arrangements for the collection and environmentally friendly disposal of unused beer and other kegged product from our pubs and those of our customers, as well as ensuring that pubs were then restocked when pubs were allowed to reopen.

It was a very challenging year in On Trade, as businesses suffered against a backdrop of lockdowns and social restrictions, remaining closed for Q1 and highly volatile following that, as well as a muted Christmas trade. The Free Trade market, where we are strongest, suffered the most from the market conditions, with the Managed and particularly Tenanted & Leased sectors performing stronger as we have come out of lockdowns.

In Off Trade, a combination of improved supply, increased distribution, and strong underlying rate of sale, allowed Greene King to outperform the market in 2021. Based on Nielsen reporting, we finished the year with volume growth of 2.7% vs a traditional ale category decline of 4.7%. Share in the Multiple Grocers grew from 16.3% to 17.5%, as we became the second biggest traditional ale brewer.

A full engagement survey was completed in September with 564 participants taking part in the survey. Our sustainable engagement result was 69%, 10% pt. worse than the average across the wider Greene King group, whilst business pride was 79%, 3% pt. lower than the average across the wider Greene King group.

Despite a volatile trading environment, Brewing & Brands continued to invest in brewing brilliant beers and building brilliant brands. Capex increased within the year, as we continue to invest in bringing the breweries and packing lines up to a higher quality, including enhanced safety standards. Notable in-year spends included £1.4m (of £4m) to improve the Belhaven brewery, and £1.8m of new kegs following the reopening of the pubs.

We look forward to a year less plagued by the trading restrictions of the last 18 months, whereby we can recover our position for our core own brewed volume cask ale brands in the On Trade, as well as holding onto our market share gains in the Off Trade. Our work continues on modernising our beer portfolio and the supporting investment in infrastructure to enable this.

FINANCIAL REVIEW

Income Statement

	Statutory			Adjusted[1]		
	52 weeks ended 2 January 2022 £m	36 weeks ended 3 January 2021 £m	Proforma 52 weeks ended 3 January 2021 £m	52 weeks ended 2 January 2022 £m	36 weeks ended 3 January 2021 £m	Proforma 52 weeks ended 3 January 2021 £m
Revenue	1,341.6	562.1	947.4	1,341.6	562.1	947.4
Operating profit/(loss)	**63.8**	**(149.3)**	**(433.0)**	**18.6**	**(185.8)**	**(186.9)**
Net finance costs	(134.2)	(99.3)	(184.2)	(132.4)	(93.7)	(137.0)
Loss before tax	**(70.4)**	**(248.6)**	**(617.2)**	**(113.8)**	**(279.5)**	**(323.9)**

1. Adjusted measures exclude the impact of adjusting items, for details see APMs on page 97 and note 5 for adjusting items.

Revenue was £1,341.6m, an increase of 138.7% compared to the 36 weeks ending 3 January 2021 (52-week proforma: up 41.6%), with increases in all five revenue generating segments versus the 52-week proforma due to increased levels of trading in the period as a result of fewer restrictions. Destination Food Brands revenue was up 126.5% (52-week proforma: up 39.5%) to £527.1m, Local Pubs revenue was up 139.7% (52-week proforma: up 41.3%) to £315.9m, and Premium, Urban and Venture revenue was up 181.7% (52-week proforma: up 49.2%) to £235.8m. Pub Partners revenue was £109.6m, up 168.6% (52-week proforma: up 50.3%). Brewing & Brands revenue increased 109.6% (52-week proforma: up 33.1%) to £153.2m.

Group adjusted operating profit/(loss) by segment

	52 weeks ended 2 January 2022 £m	36 weeks ended 3 January 2021 £m	Change from FY20SY %	Proforma 52 weeks ended 3 January 2021 £m	YOY Change %
Destination Food Brands	20.9	(62.3)	133.5	(72.4)	128.9
Local Pubs	2.6	(54.3)	104.8	(57.7)	104.5
Premium, Urban and Venture	6.8	(42.0)	116.2	(39.6)	117.2
Pub Partners	35.1	0.9	3,800.0	13.1	167.9
Brewing & Brands	0.9	(18.1)	105.0	(20.2)	104.5
Corporate	(47.7)	(10.0)	(377.0)	(10.1)	(372.3)
Group adjusted operating profit/(loss)[1]	**18.6**	**(185.8)**	**110.0**	**(186.9)**	**110.0**

1. Adjusted measures exclude the impact of adjusting items, for details see APMs on page 97 and note 5 for adjusting items.

Net finance costs before adjusting items were up 41.3% to £132.4m, which decreased 3.4% compared to the 52-week proforma primarily due to a reduction in lease interest costs following the acquisition of several freehold reversions.

Loss before tax and adjusting items was £113.8m, which is materially improved versus the loss before tax and adjusting items of £279.5m for the 36 weeks ending 3 January 2021 (52-week proforma: £323.9m loss). A statutory loss before tax of £70.4m was incurred (36 weeks ended 3 January 2021 ("2021"): £248.6m loss), after net impairment reversals of £8.2m (2021: £30.1m), a credit in respect of VAT on gaming machines including interest of £33.4m (2021: £7.0m credit) and a credit of £5.4m in relation to COVID-19 (2021: £8.7m credit).

Corporate adjusted operating loss increased £37.7m to £47.7m compared to the 36 weeks ended 3 January 2021 primarily due to increased investment in central functions as well as an increase in net payroll costs as a result of fewer corporate employees being furloughed in the current period.

Tax

The effective rate of corporation tax (before adjusting items) of 19.0% (2021: 19.3%) is in line with the UK corporation tax rate of 19.0%. Adjustments to the rate include non-deductible interest under UK Transfer Pricing rules (-3.8%), the effect of accelerated Capital Allowances (+1.4%) and non-adjusting accounting movements on Property, Plant and Equipment (+2.4%). This resulted in a tax credit against operating profits (before adjusting items) of £55.5m (2021: £53.8m credit). The adjusting tax charge of £16.9m (2021: £74.6m charge) is discussed under adjusting items.

The group generates revenue, profits and employment that deliver substantial tax revenues for the UK government in the form of VAT, duties, income tax and corporation tax. In the year, total tax revenues paid and collected by the group were c.£298m (2021: c.£152m). The decrease in tax liability in the year was driven by reductions in duty and VAT liabilities as a result of the impact of COVID-19. The group's tax policy, which has been approved by the group's board committee and which will be subject to regular review by the board of directors of the group, has the objective of ensuring that the group fulfils its obligations as a responsible UK taxpayer.

Adjusting Items

Adjusting items was a credit of £26.5m (2021: £43.7m charge), consisting of a £45.2m credit (2021: £36.5m credit) to operating profit, a £1.8m (2021: £5.6m) charge to finance costs and a net adjusting tax charge of £16.9m (2021: £74.6m). Material items recognised in the year included the following:

1. During the period to 2 January 2022 the group has recognised a net impairment reversal of £8.2m (2021: £30.1m), comprising £8.2m (2021: £30.4m) net reversal in relation to property, plant and equipment, and right-of-use asset and £nil (2021: £0.3m charge) on other financial assets.
2. A credit of £5.4m (2021: £8.7m credit) in relation to COVID-19. This includes a charge of £0.9m (2021: £5.1m charge) in respect of stock write-offs or provisions, a net credit of £5.0m (2021: £19.3m) on bad debt provision reversals on both free trade loans as well as trade debt, a £2.9m credit (2021: £3.4m) relating to COVID-19 rent concessions, a £0.8m charge (2021: £8.9m) relating to one-off items directly attributable to the forced closure and reopening of pubs and a £0.8m charge (2021: £nil) in respect of costs incurred in obtaining certain waivers from its bondholders.
3. The group previously paid c.£30m of disputed VAT to HMRC in relation to gaming machines post 2005 claims. Due to the strength of the ruling from the First Tier Tribunal regarding this case and HMRC's decision not to appeal the group considers £29.2m recoverable (2021: £7.0m relating to the pre 2005 claims). This has been recognised as income in the period along with associated interest of £4.2m relating to the pre and post 2005 claims.
4. The £1.8m charge for adjusting finance costs included a £7.3m charge (2021: £5.6m charge) recycled from the hedging reserve in respect of settled interest rate swap liabilities, £4.2m income (2021: £nil) in respect of interest on indirect tax claims (see above) and £1.3m gain (2021: £nil) in respect of market-to market movements in the fair value of interest rate swaps not qualifying for hedge accounting.
5. The adjusting tax credit of £16.9m (2021: £74.6m) is primarily in respect of an increase to the deferred tax asset recognised on the Corporate Interest Restriction of £37.2m offset by a one-off adjustment to increase the net deferred tax liability following the recognition of deferred tax balances at the enacted Corporation Tax rate of 25% of £18.0m. Smaller adjusting tax items offset each other as discussed in the accounts note.

Cashflow

	52 weeks ended 2 January 2022 £m	36 weeks ended 3 January 2021 £m[4]
EBITDA[1]	156.3	(77.5)
Working capital and other movements	89.3	(61.7)
Net interest paid[2]	(102.7)	(67.4)
Tax (paid)/received[2]	(0.2)	10.4
Adjusted cash generated/(used) from operations	**142.7**	**(196.2)**
Core capital expenditure[3]	(68.0)	(36.9)
Net repayment of trade loans	2.8	1.1
Repayment of lease liabilities	(70.3)	(21.3)
Free cash flow	**7.2**	**(253.3)**
Net disposal proceeds	0.6	7.7
New build capital expenditure & freehold purchase	(114.7)	(389.1)
Adjusting items	(8.0)	(11.6)
Advance of borrowings	63.9	771.4
Net (decrease)/increase in cash and cash equivalents	**(51.0)**	**125.1**

1. EBITDA represents earnings before interest, tax, depreciation, amortisation and adjusting items
2. Adjusted measures excluding the impact of adjusting items, for details see APMs on page 97
3. Core capital expenditure represents capital work for developments and maintenance, excluding new sites and brand swaps.
4. The prior period cash flow has been restated to reconcile to net increase in cash and cash equivalents. In the prior period the table reconciled net debt movement.

The group has historically been highly cash generative, but the adverse impact of COVID-19 on both trading and working capital flows has been unprecedented. The group continued its cash conservation measures during the first half of the year so the group was in a strong financial position to bounce back when pubs reopened. The full year adjusted cash inflow from operations was £142.7m (2021: outflow £196.2m) demonstrating the group's recovery in the second half of the year when the pubs were predominantly trading throughout the period. Overall the cash outflow for the period was £51.0m (2021: inflow £125.1m) predominantly due to investment in capital expenditure of £182.7m (2021: £426.0m), rent payments of £70.3m (2021: £21.3m) including £28.0m relating to amounts due at 3 January 2021, offset by a net advance of borrowings of £63.9m (2021: £771.4m).

Core capital expenditure was limited to that of a maintenance nature, investment in some development of outside space in managed sites and investment in digital transformation projects. No dividend has been proposed or paid. Net disposal proceeds of £0.6m were generated from 12 non-core pubs. The group purchased the freehold of 30 sites that were previously leased via a company share acquisition for £95.4m consideration.

In addition, £19.3m was spent on four single site acquisitions including subsequent development spend on these sites and the freehold reversion of three further sites.

In order to support the long-term strategic priorities, the group's objective is to maximise the strength and flexibility of its balance sheet, and to maintain a capital structure which meets the short, medium, and long-term funding requirements of the business. The principal elements of the group's capital structure are its £600m bank facilities, which were £300m drawn at the year end, £1,500m revolving loan facility with CKA Holdings UK Limited, which was £1,376m drawn at the year end, and two long-term asset-backed financing vehicles. In April 2022 the revolving loan facility with CKA Holdings UK Limited was extended to November 2024.

At the year end, the Greene King securitisation had secured bonds with a group carrying value of £1,314.6m (2021: £1,360.5m) and an average life of eight years (2021: eight years), secured against 1,481 pubs (2021: 1,485 pubs) with a group property, plant and equipment carrying value of £1,945.7m (2021: £1,953.1m). The Spirit debenture had secured bonds with a carrying value of £99.5m (2021: £99.8m) and an average life of nine years (2021: ten years), secured against 518 pubs (2021: 530 pubs) with a group property, plant and equipment carrying value of £461.2m (2021: £462.2m).

During the period the Greene King securitisation breached its FCF DSCR covenant, resulting in a borrower-level event of default. In May 2021 the group obtained a bondholder waiver in relation to breaches of the four-quarter lookback FCF DSCR covenant for the five quarters ending April 2021 through April 2022 and the two-quarter lookback FCF DSCR covenant for the three quarters ending April 2021 through to October 2021. All other covenants remained in compliance. As a consequence of the COVID-19 pandemic, in the prior period the Spirit debenture breached its Free Cash Flow Debt Service Coverage Ratio (FCF DSCR) covenants, resulting in multiple borrower-level events of default. In August 2020 the group sought, but failed to obtain, a bondholder waiver in respect of certain of these events of default, and in light of the failure to obtain that initial waiver the group has not sought further waivers in respect of subsequent covenant breaches. As a result, the Spirit debenture remained in a state of technical default at the year-end. We consider the risk of enforcement to be very low, but we maintain sufficient headroom under our loan facilities to fund the repayment of the outstanding debt should the bondholders seek to enforce.

Although it is certain that the group's credit metrics have deteriorated as a result of the reduced trade arising from the COVID-19 pandemic, its liquidity position remains strong reflecting the resilience of the group's capital structure. The group's average cash cost of debt reduced to 3.5% from 4.1% last period, and at the year-end 93.2% of the group's net debt was at a fixed rate. The Greene King secured vehicle had a two-quarter lookback FCF DSCR of 1.3x at the year end, giving 17% headroom to the covenant limit of 1.1x. The Spirit debenture vehicle had a FCF DSCR ratio of -2.8x, which is below the covenant limit of 1.3x.

Overall, the group's net debt increased in the year by £116.4m to £2,994.3m.

Balance sheet

	2 January 2022 £m	3 January 2021 £m
Goodwill and other intangibles	**912.6**	913.4
Property, plant and equipment (inc. assets held for sale)	**3,723.5**	3,668.7
Post-employment assets	**136.8**	48.3
Net debt	**(2,994.3)**	(2,877.9)
Derivative financial instruments	**(112.8)**	(161.2)
Trade and other payables	**(353.1)**	(223.2)
Net IFRS 16 liability	**(63.6)**	(123.6)
Other net assets	**195.4**	118.7
Net assets	**1,444.5**	1,363.2
Share capital and premium	**308.4**	308.4
Reserves	**1,136.1**	1,054.8
Total equity	**1,444.5**	1,363.2

Pensions

The group maintains two defined contribution schemes, which are open to all new team members and two defined benefit schemes, which are closed to new entrants and to future accrual.

At 2 January 2022, there was an IAS 19 net pension asset of £136.8m representing an increase of £88.5m since 3 January 2021. The closing assets of the group's two pension schemes totalled £1,002.6m and closing liabilities were £865.8m compared to £993.3m and £945.0m respectively at the previous period end. Included in the remeasurement are key assumptions relating to the discount rate of 1.9% (2021: 1.4%), RPI inflation of 3.3% (2021: 2.9%) and CPI inflation of 2.6% (2021: 2.1%). In the current year, the remeasurement relating to the Spirit pension scheme also included the adoption of a scheme specific mortality table. Total cash contributions in the period were £4.5m (2021: £3.0m).

The triennial valuations are ongoing for both pension schemes and are on track to meet the regulatory deadlines of 5 July 2022 for the Greene King scheme and 30 September 2022 for the Spirit scheme.

Dividend

No dividend has been proposed by the board in the current or prior period.

KEY PERFORMANCE INDICATORS

During the third lockdown, business decisions were largely informed by affordability based on the utilisation of the group's unsecured facilities, as well as the performance of the larger of the group's two securitised financing vehicles. Therefore, the two key measures used by the group have been the level of unutilised facilities and the Free Cash Flow Debt Service Coverage Ratio (FCF DSCR) of the Greene King securitisation.

As the group exited this period, the group transitioned to the three new objectives; i) Bounce back into action - stronger for our customers, partners, people and our owners; ii) Finish the strong foundations we are building in Culture, Organisation and Strategy; and iii) Maximise the performance of the business in a balanced way some of the existing KPIs were reintroduced.

As part of the third objective, the group introduced a balanced scorecard approach to assess performance called the "Dartboard". One KPI from each of the five pillars identified: Customer, Operational Excellence, People, Pride and Financial was identified to assess performance in the year. These KPIs will be extended to 15 (three per pillar) from the new financial year.

CUSTOMER

Group sales (year on year) (%)

H2 Sales growth or decline measured vs the prior year. Due to COVID-19, 2021 has been assessed versus the same periods in 2019.

H2 2021	**(8.7%)**

Summary

The group sales are down from 2019 due to reduced consumer demand and the impact of the Omicron variant through December.

OPERATIONAL EXCELLENCE

Safety & Compliance

Measured as an average of each operational division's metric peculiar to their safety risks. Managed divisions are assessed on food hygiene scores, Pub Partners on SafeStart and Brewing & Brands on RIDDOR (The Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) accidents.

H2 2021	**100%**

Summary

All five divisions met their safety targets for the period ended 2 January 2022.

PEOPLE

Sustainable Engagement (%)

Measured using the answer to three questions within the Willis Towers Watson engagement survey (Rant and Rave) to assess the engagement of our employees.

2021	**79%**
2020SY[2]	69%

Summary

The survey has assessed 79% of our employees to be engaged, enabled and energised, an improvement of 10% from the prior survey taken in Q4 2020.

PRIDE

Business Pride Score (%)

Measured using the answer to "I am proud to be associated with Greene King" within the Willis Towers Watson engagement survey (Rant and Rave)

2021	**82%**

Summary

The annual survey has assessed 82% of our employees to be proud to work at Greene King. This question was not asked in the Q4 2020 survey.

FINANCIAL

Free Cash Flow (£m)[1]

Free cash flow is calculated as EBITDA less working capital and non-cash movements (excluding adjusting items), tax payments (excluding amounts paid in respect of settlements of historic tax positions and adjusted for the impact of HMRC payment regime changes), interest payments (excluding payment of interest in respect of tax settlements), core capex, dividends and other non-cash movements.

2021	**£7.2m**
2020SY	£(253.3)m
2020	£(151.4)m

Summary

Prior to COVID-19, the group had a strong record of organic cash generation. The group returned to being cash generative in the period largely due to cash preservation measures put in place during the pandemic, and strong trading results in H2.

1. Adjusted measures excluding the impact of adjusting items, for details see APMs on page 97
2. 2020SY was measured solely on the answer to "I feel engaged and committed at present"

DIRECTORS DUTIES UNDER SECTION 172 COMPANIES ACT 2006

Under section 172 of the Companies Act 2006 the directors of the company are required to act in a way which promotes the long-term success of the company and in doing so to consider the interests of the company's stakeholders. This section of the report is designed to set out how the directors have complied with their obligations in this regard.

The directors of the company have at all times during the year (and at all other times) acted in the way that 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, and in doing so had regard (amongst other matters) to:

- the likely consequences of any decision in the long-term,
- the interests of the company's employees,
- the need to foster the company's business relationships with suppliers, customers and others,
- the impact of the company's operations on the community and the environment,
- the desirability of the company maintaining a reputation for high standards of business conduct, and
- the need to act fairly between members of the company.

Engaging with stakeholders. The success of our business is dependent on the support of all of our stakeholders. Building positive relationships with stakeholders that share our values is important to us and working together towards shared goals assists us in delivering long-term sustainable success. The group's key stakeholders are as follows:

Shareholders. The company is a wholly owned subsidiary of CK Asset Holdings Limited ("CKA"), a limited liability company incorporated in the Cayman Islands, registered in Hong Kong, and listed on the Main Board of the Hong Kong Stock Exchange. The board has continued to ensure that there is appropriate engagement by the company with CKA. Certain members of the board of CKA receive copies of the company's board meeting packs and are invited to attend and ask questions at the company's board meetings to ensure that there is direct contact between the two boards and that the company's parent is fully informed of the company's activities.

Team members. Our people are our greatest asset, with an average of 39,000 team members employed across the group during the year. Attracting and retaining the best people and developing and investing in them is critical to our continued success.

Employment levels remained high during the lockdown at the beginning of the year, and, apart from a few geographical hotspots, we were able to open for business without staff shortages as the lockdowns came to an end. Since then, we have navigated our way through the "pingdemic" and the Omicron variant and also had to deal with significant recruitment issues, particularly for members of our pub leadership teams.

The board supported management's decisions in the summer to introduce an agile working policy, allowing office-based staff to spend part of their working week away from the office. Recruitment issues were dealt with via a combination of changes, including pay rises, the reintroduction of bonus schemes, a focus on improving work-life balance for some team members and other measures to reward and recognise the commitment of our employees.

There are many ways we engage with and listen to our people including engagement surveys, forums, listening groups, face-to-face briefings, internal communications and Kingdom (our team member app). Key areas of focus include health and wellbeing, development opportunities, pay and benefits, and ensuring that our team members understand the group's values, strategy and financial performance. Regular reports about what is important to our team members are made to the board ensuring consideration is given to their needs, and our employee engagement score is a key performance indicator.

We have four Employee Led Inclusion Groups (ELIGs) and each has an executive board sponsor:

- Village Greene – our LGBTQ+ focused community group
- Unity – our Black, Asian and minority ethnic focused community group
- Greene Sky – our female focused community group
- Ability – our disability focused group

In October 2021 we held our first ever 'Greene King Unleashed' festival to launch the company's cultural change programme. Over 2,000 managers from across the business attended the event as the long-term strategy for the business was explained, along with an immersion into our values. The event received very positive feedback and is being followed up with a range of actions to reinforce the company's values and expected behaviours.

Further information on engagement with team members is contained within the COVID-19 section of the strategic report.

Customers. We place customers at the heart of what we do and regularly benchmark against the best in class. The board is given details of relevant customer insights and also of any significant health and safety related issues relating to our customers. It has also been advised of customer attitudes towards the pandemic and the various safety measures operated by our pubs.

Given the ongoing COVID-19 pandemic it was not possible to arrange pub visits for board members. There are however plans to reintroduce these in due course once conditions permit.

Tenants. The success of Greene King's Pub Partners division, which manages our tenanted and leased pubs, is dependent on the success of our licensees. We have several different agreement types in place designed to best align the interests of Greene King with those of its licensees and support long and successful tenures.

The board has been supportive of the actions taken by management during the COVID-19 pandemic to support our tenants and lessees, details of which are set out in the COVID-19 section of the strategic report.

Suppliers. We aim to build strong relationships with our suppliers to develop mutually beneficial and lasting partnerships. Our CEO, CFO and other members of the senior management team regularly meet with key suppliers. We have a Code of Conduct which we expect suppliers to confirm their agreement to, covering a range of basic requirements that we expect all of our suppliers to meet.

Supply chain issues have been a feature of the year, particularly as the country came out of lockdown in the summer – staff shortages at suppliers were often caused by COVID-19 infections or government-imposed self-isolation rules (the "pingdemic") and the haulage industry in particular suffered recruitment issues, leading to a shortage of drivers. CO_2 shortages were also a problem in the autumn. The board has been kept fully informed of actions taken by management to address the various issues.

Debt holders. The group has two secured financing vehicles with bonds listed on the Dublin and Luxembourg stock exchanges. During the year, as in the prior period and as a direct consequence of the pub closures due to the COVID-19 pandemic, both secured vehicles were unable to meet certain of their financial covenants. With the support of the board, we sought and obtained a further waiver of those covenants from the bondholders in the Greene King securitisation but did not seek one from the Spirit debenture bondholders. The outstanding debt has not been accelerated and we continue to operate the Spirit debenture in accordance with the agreements governing its operation.

Pension trustees. The company has two final salary pension schemes, both of which are closed to new members and future accruals. The company's CFO engages proactively with each pension scheme trustee on a range of matters, including triennial valuations, funding levels, journey planning as well as future investment strategy.

Government and regulatory authorities. We engage with the government and regulators through a range of methods. We are in regular contact with local authorities in relation to property, licensing and health and safety matters, working proactively with them where appropriate. There is ongoing contact with HMRC in relation to tax matters, whilst we have also worked with the Department of Justice in relation to our support for programmes to encourage ex-offenders back into the workplace. In the past year, Greene King has worked closely with government to help inform policy making on the pubs and brewing sector. This has included our CEO sitting on the Government's Hospitality Sector Council, which supports the delivery of the Government's Hospitality Strategy and he has taken a role in the Council's Recovery Working Group, which has been tasked with identifying how the sector can help to resolve some of the immediate challenges facing the sector in recovering from COVID-19.

Our CEO also sits on the Department for Education's Business Engagement Forum. This group has allowed him to feed in Greene King's perspective and expertise from their apprenticeship scheme and other training initiatives to inform government policy around linking up young people with businesses and skills development.

Community. Our pubs act as hubs for their local communities, offering a place to sit, socialise and make a difference to local services and good causes. Since it was established nine years ago, we have raised over £10m for our national charity partner, Macmillan Cancer Support. The board has also been made aware of significant matters affecting the company's reputation. In 2021 Greene King published its race manifesto, Calling Time on Racism, setting out our ambition to embrace and value our Black, Asian and minority ethnic team members and the wider community and increase their representation within the hospitality sector to become a leading and truly antiracist organisation. This has also included, the company taking the decision to change the names of a number of pubs where there were potential racist connotations in those names.

Further details of how we engage with our local communities and our work on diversity is set out in the environmental, social and governance section of the strategic report.

Landlords of leasehold properties. Whilst the majority of our pubs and restaurants are freehold properties, we do operate a number of leasehold sites owned by a range of landlords. Engagement with such landlords primarily concerns rent and repairs. Discussions with landlords stepped up during the COVID-19 crisis to assist the company's cash conservation efforts, with many landlords agreeing to defer rental payments whilst our pubs and restaurants were closed.

Case studies

1. The COVID-19 pandemic

As explained elsewhere in the strategic report, the COVID-19 pandemic was the defining issue for the majority of the year. Management of the crisis was a matter for the executive board, which set up a crisis group, led by the chief financial officer, to oversee the company's response to the crisis. Both the board and the board committee were kept fully informed of the management team's handling of the crisis and were given opportunities to provide their feedback. Reporting to the board and committee set out in detail the various actions taken by all of the company's key stakeholders, with particular focus on the impact of the crisis on the company's financial position and its prospects.

2. Strategy and budget

The company's strategic goal, set in 2020, is to be the pride of British hospitality, famous for outstanding customer experiences and a balanced portfolio of high growth, consistently profitable brands. Much of the last two years have been focused on dealing with the COVID-19 pandemic but during 2021 work began in earnest to prepare a longer-term strategic plan. A number of foundational projects commenced during the year to underpin the group's brand development strategy, including work on customer segmentation, the Greene King brand and a customer engagement programme. At the same time work on culture and values continued (see case study below). With the support of the board, all divisions and functions undertook a bottom-up five-year strategic planning exercise. These were then reviewed by the executive board which undertook a prioritisation exercise based on a number of key principles for 2022 and recognising the capital constraints facing the business as it recovers from the pandemic. As a result, the priorities for 2022 will include:

- Finalising and implementing the cultural change programme
- Rolling out proven brands and also trialling new formats to rebalance our portfolio
- Investing in a step change in our digital capabilities
- Building the capabilities of our people and an improved people management infrastructure
- Strengthening our IT security and core systems infrastructure
- Investing to deliver operational efficiency and cost mitigation in future years.

Each of these are reflected in the 2022 budget which was approved by the board committee in December 2021.

3. Culture and values

Significant progress has been made during the year with regard to 'Greene King Unleashed', the company's programme of cultural and strategic transformation. Supported by both the board and the board committee, the following elements of the programme were delivered during the year:

- Engagement programmes with all teams on the company's purpose, goal and values, which culminated in a conference attended by more than 2,000 managers in October.
- The roll out of an intensive leadership development programme for all of the company's leaders, to build the skills and capabilities to embed the cultural change programme.
- The launch of the "Dartboard" balanced scorecard to measure and assess performance against strategy in a more rounded way.
- The implementation of a new performance management and talent process which started at the beginning of 2022.

4. Inclusion and diversity

During the year management created a new strategy, supported by the board, that clearly sets out our plans and commitments to achieve our diversity and inclusion aspirations based on education, awareness and activity.

A particular focus was on the publication of the company's race manifesto, Calling Time on Racism, which set out our ambition to embrace and value our Black, Asian and minority ethnic team members and the wider community and to increase their representation within the hospitality sector to become a leading and truly antiracist organisation. Our senior leadership team will fully embrace antiracism in philosophy and practice, leading the journey of racial inclusion and representation across the organisation. Further details are set out in the environmental, social and governance section of this report.

PRINCIPAL RISKS AND UNCERTAINTIES

Risk management process

The classification of risks facing Greene King follows a standard methodology used in risk management and considers the likelihood of their occurrence, the scale of potential impact (both financial and reputational) on the business, together with the velocity of risk, being the anticipated time scale that the risk might be realised.

Each divisional executive team and each functional head is responsible for identifying and mitigating risks within their sphere of responsibility. Once the key economic, operational, financial, people and strategic risks have been identified, each division and functional area is then responsible for evaluating current controls in place to manage their risks, drawing up plans to improve controls and manage new or emerging risks. All risks are aligned and evaluated against the group's stated risk tolerance parameters, with mitigating actions designed to bring all risks within these limits. Each key risk has an 'action owner' to ensure that responsibilities are formally aligned in a timely fashion.

To ensure uniformity across the organisation together with continuous improvement of our risk profile and suitable governance, a structured enterprise risk management framework is followed. Through this process, progress of these risk implementation plans is monitored by senior management on a regular basis.

Assurance on risk mitigation is provided by an internal audit team who provide an independent review of all risk mitigation actions, together with key performance metrics aligned to the most significant risks cited in each register.

The risk management processes are designed to manage risks which may have a material impact on our business, in line with our stated risk tolerance parameters, rather than to fully mitigate all risks.

During the year, a review of our approach to enterprise risk management (ERM) was completed by Willis Towers Watson (WTW). Eight categories were assessed, each with a maturity rating of 1(undeveloped) - 5(leading). In all categories, ERM at Greene King was rated as 2 (basic) or 3 (developing). We will be working with WTW during 2022 to improve both process, awareness, and ultimately the value obtained from ERM.

Principal risks and uncertainties

During the year, the COVID-19 pandemic was constant in disrupting trade and the normal operation of the business. Throughout the year, trade was either prohibited by law with the forced closure of hospitality nationally or regionally, or trade was severely restricted by social distancing or self-isolation requirements brought about by high levels of COVID-19 infection circulating in the general population.

The COVID-19 pandemic has impacted many of the other risks already facing the business, and accordingly existing mitigation plans designed to deal with those risks have been adapted, amended and upweighted as necessary. For further details of the impact of the COVID-19 pandemic on the group, and how the company has responded to the threats thereof, please see the separate COVID-19 section of the strategic report.

The principal risks and uncertainties facing the business, were largely similar in nature to those reported last period, with the evolution of one key risk from adopting the right strategy to executing it. These have been described below alongside the mitigating actions as well as an indication of how the risk has changed over the last 12 months.

Risk area	Mitigation	Changes since last period
Strategic risks – a failure to execute the right strategy	Despite COVID-19 related challenges and uncertainties of FY21, good progress has been made to further progress our group strategy to be the pride of British hospitality, famous for outstanding customer experiences and a balanced portfolio of high growth, consistently profitable brands. The business reopened strongly from May onwards with a key focus on being COVID-19 safe, branded Pub Safe which created a strong platform for delivery of strategic goals & trading targets throughout the rest of FY21. Both customer reputation & employee engagement scores increased during the year. £114.7m was spent on four single site acquisitions (including subsequent development spend) and 33 freehold reversions. The first two pubs in our new premium Crafted Pub offering were opened. In Pub Partners, business failure rates remained low, with ongoing rental support from Greene King. Transition to a new operational structure was completed and our people plan, 'Greene King Unleashed' was launched. The bottom-up five-year strategic plan was also completed. A number of reviews exist to ensure execution is in line with the agreed strategic plan. These include a structured approval processes, monitoring through the "Dartboard" (balanced scorecard), monthly business review's, a group transformation/IT board, executive board meetings and internal audit reviews.	New risk
Strategic risks – changing consumer trends	Strategic development of our brands will continue to take increasing importance as we come out of the pandemic, ensuring we leverage customer insight and brand development to evolve based on customer expectations. We have segmented the managed pub estate into market brands and will be further developing these brands to create meaningful distinction to deliver growth across the portfolio.	↔

	Food development contains a greater focus on wellbeing and health to maintain and grow customer relevance. Regular pulse of customer insight will provide a measure of customer sentiment and expectation so we can respond tactically to any shift as we emerge from the COVID-19 pandemic. Regular reporting and analysis of our market performance, of competitors and market trends is provided both through periodic executive board meetings and across the wider organisation.	
Economic and market risks - relating to the state of the economy consumer confidence inflationary headwinds & the removal of government support	We aim to mitigate many of the anticipated cost increases facing the business, such as labour and supply of goods, through procurement and productivity savings, with a particular focus on cross functional co-operation and the use of technology. Competitor prices are tracked monthly to measure price inflation versus the market and forecast cost price changes are notified to divisions each quarter. This data is reviewed with divisions each month to decide any changes to our pricing plans. On procurement we aim to work closely with our key suppliers to reduce costs without impacting the customer offer. We have a well hedged portfolio, with a broad geographic spread of pubs across the country, including in London and the south east, brands covering each of the value, mainstream and premium segments of the market, and a mixture of drink-led and food-led pubs. The biggest unknown at this point remains consumer confidence as the country emerges from the COVID-19 pandemic together with a new inflationary environment and supply chains which are still recovering from the impact of COVID-19 and are now also directly or indirectly being impacted by supply issues as a result of the Russian invasion of Ukraine. It is unclear how consumer behaviour will change following the COVID-19 pandemic and the easing of the restrictions.	↑
Operational and people risks - significant data breaches through failure to comply with the GDPR regulations	A wide range of policy, technical, procedural, and operational compliance control improvements have been implemented across the business, covering all aspects of the requirements. We have a data governance committee, data protection officer and data protection champions across the business. Processes are in place to manage data breaches, which are followed up appropriately to ensure that lessons are learnt, and subject access requests are now handled centrally to ensure legislative requirements are met. Through our governance framework, compliance is monitored and reported on a regular basis with a set of KPIs for each key risk.	↔
Operational and people risks – cyber security	Working with specialist third party companies we continuously monitor and evaluate cyber threats to our business. As a result of this evaluation our cyber security programme is constantly adapted to strengthen our IT security controls, improve our recovery capability (through both disaster recovery and business continuity processes and tests) and processes, threat surveillance, patching and user education and to ensure that we continue to retire legacy systems so that our defenses remain robust and relevant in the ever-changing threat landscape.	↑
Operational and people risks - the risk of failure among key suppliers and distributors and our own production facilities	We maintain back up plans in case of the failure by or loss of a key supplier, and we expect our key suppliers to maintain disaster recovery plans which we review on a regular basis. Regular monitoring is undertaken of KPIs applicable to both third party suppliers and distributors, with issues flagged for resolution. In the event of a failure in our own production and distribution activities a range of alternative solutions exist to enable us to continue to brew, package and distribute our own beers. Supply chain issues have been a particular feature of the year, particularly as the country came out of lockdown in the summer – staff shortages at suppliers were often caused by COVID-19 infections or government-imposed self-isolation rules (the "pingdemic") and the haulage industry in particular suffered recruitment issues, leading to a shortage of drivers. CO2 shortages were also a problem in the autumn. Whilst many of our suppliers are large multi-national companies who have, where necessary, utilised the government's various support schemes to provide some stability during the pandemic, some of our smaller suppliers have found the past year harder, Greene King has supported these suppliers by continuing to make payments in line with the suppliers' payment terms. With all suppliers we are constantly working through contingency plans around increasing stock, bringing in new suppliers or ensuring our suppliers prioritise Greene King in their production planning.	↑

Operational and people risks – recruitment, retention and development of employees and licensees	Since March 2020 a comprehensive and open communication plan has kept all our employees fully informed on the crisis, its impact on the business and the actions we are taking. This is ongoing and has included regular email updates, video messages, messaging via our bespoke Kingdom employee app, and online live briefings. Feedback from employees on this process has been strong as demonstrated through our engagement survey results. We have both a branded recruitment plan to ensure that we attract suitable candidates and operate a range of apprenticeship programmes and other initiatives designed to attract people into the business. More effective recruitment processes have been put in place for key roles in our pubs and we have improved induction training to improve retention in the early few months. The double hit of Brexit and COVID-19 lockdowns has resulted in labour force migrating away from hospitality whilst wage inflation makes cost of hiring and retention more costly. This is most apparent in London where we have a sizable presence. To address these challenges, we have reviewed pay and conditions including work-life balance and a new bonus scheme. In October 2021 we held our first ever 'Greene King Unleashed' launch festival to launch the company's cultural change programme. Over 2,000 managers from across the business attended the event at the long-term strategy for the business was explained. The event received very positive feedback and is being followed up with a range of actions to reinforce the company's values and expected behaviours.	↑
Operational and people risks – compliance with legislation including health and safety, food safety and employment legislation	We have a comprehensive range of formally documented policies and procedures in place, including centrally managed systems of compliance KPI tracking and internal and independent audits to ensure compliance with current legislation and approved guidance. During the year, a food safety audit was carried out to identify further opportunities to set the food safety standard for our sector. Recommendations from the audit are being taken forward. Additional risk assessments were put in place and audited to ensure compliance with the government's rules around safe distancing and hygiene. We continue to revise these as government guidelines and customer expectations change.	↔
Financial risks – funding requirements	The group is well funded with the principal elements of the group's capital structure being its £600m bank facilities, which were £300m drawn at the year end, a £1,500m revolving loan facility with CKA Holdings UK Limited, which was £1,376m drawn at the year end, and two long-term asset-backed financing vehicles. The group's £600m bank facilities includes a new £200m external revolving loan facility which was agreed with the Bank of Nova Scotia in December 2021. In April 2022 the revolving loan facility with CKA Holdings UK Limited was extended to November 2024. At the year end the Greene King securitisation had secured bonds with a group carrying value of £1,314.6m (2021: £1,360.5m) and an average life of eight years (2021: eight years), secured against 1,481 pubs (2021: 1,485 pubs) with a group carrying value of £1,945.7m (2021: £1,953.1m). The Spirit debenture had secured bonds with a carrying value of £99.5m (2021: £99.8m) and an average life of nine years (2021: ten years), secured against 518 pubs (2021: 530 pubs) with a group carrying value of £461.2m (2021: £462.2m).	↓
Financial risks – covenant risks	Long-term strategy and business plans are formulated to ensure that headroom against financial covenants is maintained at a prudent level. Forward looking covenant headroom is reviewed by the CFO on an ongoing basis. Working capital performance is regularly reviewed and closely managed by the CFO. The impact on covenant headroom across all debt platforms is considered by management when assessing potential future transactions. We have a waiver in relation to breaches of the four-quarter lookback FCF DSCR covenant for the five quarters ending April 2021 through to April 2022 and the two-quarter lookback FCF DSCR covenant for the three quarters ending April 2021 through to October 2021 in respect of the Greene King securitisation. The Spirit Debenture remains in a state of technical default due to financial covenant breaches for which we have not been able to obtain a waiver. We consider the risk of enforcement to be very low, but we maintain sufficient headroom under our loan facilities to fund the repayment of the outstanding debt should the bondholders seek to enforce. See the Going concern disclosure on page 30 for more detail.	↓

Financial risks – pension scheme funding	All our final salary schemes are closed to future accrual to reduce volatility. Only administrative costs and deficit recovery contributions are incurred going forward. In addition, there is regular monitoring of the schemes' investments to ensure opportunities are taken to de-risk the investment strategy of both schemes. The Greene King and Spirit schemes both underwent a full actuarial valuation during 2018/19. The Spirit scheme is in surplus on an actuarial basis and therefore continues to not require funding from the company. The Greene King scheme remains in deficit, with the company contribution being an agreed £4.5m per annum. Both schemes are currently undergoing a full actuarial triennial valuation. From an accounting perspective both schemes are in a net asset position as at 2 January 2022 (Spirit: £108m, Greene King: £29m).	↔

Change since last period

↑ Increased ↓ Decreased ↔ No change

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

At Greene King we are passionate about delivering our purpose 'we pour happiness into lives'.

That's for our customers, our team, our tenants, our suppliers and the communities in which we live, operate and serve. We know we can make a real and positive difference to the communities and environment around us. So, under our core value of 'We Care' we are committed to making a difference through our Environmental Social Governance programme, Greene King for Good.

Our impact

As Britain's leading pub company and brewer our goal is to be the pride of British hospitality. To us this doesn't just mean delivering fantastic customer experiences and serving up award winning beers. It's about Greene King being a positive force for good and having a social purpose that threads through every part of our business.

We are committed to driving social and environmental change and promoting inclusion and diversity within our business, through our partnerships and in the communities we serve.

Our Environmental Social Governance (ESG) strategy, Greene King for Good, has three core pillars:

- Our environment – caring for our planet
- Our communities - being a good neighbour
- Our people – creating life opportunities for all through innovative social mobility programmes

Our environment – caring for our planet

Operating in a sustainable way so that we minimise our impact on the environment has long been an important driver for Greene King. We have implemented a number of key environmental initiatives including introducing reverse logistic recycling across our managed pub business, awarding us Carbon Trust's Zero Waste to Landfill standard in 2020. We also became the first pub company to work with Too Good to Go, the surplus food app. In January 2021 we introduced a new trial recycling scheme called Tub2Pub scheme, inviting customers to drop their empty confectionary, cracker and biscuit tubs after Christmas to their local Greene King pub for plastic reprocessing. Funds derived from the sale of the plastic pellets was donated to Greene King's national charity partner Macmillan Cancer Support. Despite the closure of pubs the scheme generated widespread interest and will be extended across Greene King managed pubs in 2022.

For Greene King, 2021 has been a year of discovery, as we embarked on mapping our carbon footprint to 1.5° in line with Greenhouse Gas (GHG) protocol and Science Based Targets initiatives. This project, which has been complex and encompasses every part of our business, now enables Greene King to take the bold next steps to establish and publish our carbon reduction targets in 2022. If 2021 has been about discovery, 2022 will be about putting the firm foundations and framework in place for Greene King to embark on this journey. As founder members of Zero Carbon Forum, a forum of hospitality and brewing businesses to work collaboratively to reach carbon net zero, we are committed to working alongside fellow brewing and hospitality operators to achieve sector wide change.

Our statistics at a glance

Water	**52 weeks ended 2 January 2022**	36 weeks ended 3 January 2021
Water saved (m^3)[1]	**105,279**	35,832
Average daily usage saving (m^3)[1]	**288.43**	98.17
Pints of water saved per day	**507,573**	172,754
Water audits	**208**	94
Reduction in billing (ongoing savings)	**£295,155**	£104,503
Refunds achieved	**£61,343**	£32,999

[1] Water saved by identifying, detecting and fixing leaks

	52 weeks ended 2 January 2022		36 weeks ended 3 January 2021	
Recycling	Tonnes	%	Tonnes	%
Waste diverted on site	**26,296**	**69**	15,844	68
Waste sent to Energy from Waste (EFW)	**9,503**	**25**	6,307	27
Waste sent to Mixed Recycling Facility (MRF)	**2,239**	**6**	1,124	5
Waste sent to Landfill	**166**	**-**	89	-
	38,204	**100**	23,364	100

Waste reduction, recycled	Tonnes **52 weeks ended 2 January 2022**	 36 weeks ended 3 January 2021
Glass	**14,136**	10,610
Food (diverted to anaerobic digestion to generate electricity)[1]	**6,798**	6,409
Carboard	**2,944**	2,427
Used cooking oil (converted to biodiesel)[2]	**1,856**	1,580
Mixed plastic	**57**	503
Tin	**111**	101

1. 1 Tonne of food waste will generate 300kWh of energy. For the period, Greene King has produced 2,039,400 kwh of electricity which is enough electricity to power 551 UK homes for a month (based on an average consumption of 3,700 kwh p/a).

2. 1,856 Tonnes of used cooking oil (converted to biodiesel – specific gravity 0.87) represents 2.02m litres, up from 1.79m litres last period.

Energy Saving

The table below, which has been produced in compliance with the requirements of the Companies Act 2006 (Strategic and Directors' Report) Regulations 2013, shows the main greenhouse gas emissions in tonnes of CO2 equivalent (CO2 e) for our scope 1 (direct) and scope 2 (indirect) CO2 emissions.

Scope 1 relates to the direct emissions from the fuels we use in our breweries, pubs, restaurants, hotels and offices such as natural gas and liquid petroleum gas. It also includes emissions from owned vehicles (including company cars) but excludes logistics where we outsource this to third parties. Refrigerant gas and F-gas emissions in respect of our breweries, pubs and restaurants are also included.

We have used the UK government's Greenhouse Gas (GHG) Conversion Factors for company Reporting for all scope 1 emissions (2020 for 2020/21 and 2021 for 2021/22). GHG emissions from refrigeration and air conditioning units have been determined using the simplified material balance method as described in the Environmental Reporting Guidelines 2013.

Scope 2 relates to the indirect emissions associated with the generation of electricity consumed in our sites. Emissions have been calculated using the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme factor (2020 for 2020/21 and 2021 for 2021/22).

The figures in the table below cover our respective financial periods. The intensity ratio refers to turnover in our Managed and Brewing & Brands businesses as the vast majority of our CO2 emissions relate to those businesses.

CO2 emissions by type

	Source of emissions	**2021/22 tonnes of CO2e**	**Equivalent kWh**	2020/21 tonnes of CO2e	Equivalent kWh
Direct emissions Scope 1	Natural gas	47,291	258,193,239	23,246	126,673,812
	Gas oil	7	28,762	358	1,420,567
	Kerosene	522	2,115,501	103	421,028
	LPG	2,455	11,383,267	1,921	8,720,933
	Red diesel	122	519,924	36	134,640
	Owned vehicles	5,839	24,184,304	2,750	20,795,397
Total direct emissions Scope 1		56,237	296,424,996	28,414	158,166,377
Indirect emissions Scope 2	Electricity	49,508	233,167,373	35,332	139,330,992
Gross emissions		105,745	529,592,369	63,746	297,497,369
Turnover in Managed Division and Brewing & Brands (£m)		1,232.0		521.2	
Tonnes CO2e per £1k turnover		0.086		0.122	

The above table demonstrates our current Scope 1 and 2 emissions; however, we will be publishing our net zero targets in 2022.

Our communities - being a good neighbour

The pub has been a quintessential part of British life for generations and the very centre piece of community life. At Greene King we believe community is now more important in our lives than ever before so through our pubs, breweries, depots and offices we support our communities in two important ways:

- By supporting people living with cancer in the communities in which we operate, through our national charity partnership with Macmillan Cancer Support
- By helping to combat loneliness through our No One Alone programme, bringing communities together

Despite COVID-19 the restrictions impacting pubs so significantly during 2021, our partnership with Macmillan Cancer Support became a record breaking highlight for both organisations and we are now Macmillan's number one fundraising partner. Teams from every part of Greene King took part in fundraising from online quiz nights during lockdown to challenges, community fundays, Brave the Shave events and many more, raising c.£2m, our biggest total since the partnership began in 2012.

Greene King is proud to have been Macmillan's number one charity fundraising partner in 2021 as we look in earnest towards celebrating our 10-year partnership anniversary in 2022. Throughout 2021 many Greene King team members became Macmillan volunteers, supporting people living with cancer as trained telephone buddies.

Supporting people in communities in which our pubs operate is a priority for Greene King. The restrictions on social interaction as a result of COVID-19 made it difficult for our pubs to drive our No-One Alone initiative during the year. No-One Alone aims to bring people together in communities through the welcome and inclusivity of the local pub. Although hosting events has been a challenge during the period our pubs teams have reached out into their communities to support those experiencing loneliness in other ways, through kind acts of friendship. On Christmas Day 2021 Greene King launched a Christmas Day community table pilot scheme, which will be extended across the business for 2022. We are proud that our team members have embraced the Greene King value 'We Care' so wholeheartedly and have put this into action day in day out in the way they support their communities.

This year Greene King also continued to support industry initiatives including Pub is The Hub, which provides a range or free advice to licensees, communities and local authorities, Only a Pavement Away, helping homeless people off the streets and into careers in hospitality and Pub Aid, which showcases how pubs are a force for good. Throughout 2021 Greene King has continued to support charities close to our support centre communities in Bury St Edmunds and Burton-on Trent, including Bury in Bloom, Abbey 1000 and Bury St Edmunds for Black Lives.

In January 2021 Greene King launched a second Team Member Support Fund, managed on our behalf by industry charity Licensed Trade Charity to help team members facing financial hardship during the pandemic. The fund donated £500,000 in the year which was partly paid for by salary sacrifices from our executive board and senior leaders in the business. Provided to qualifying team members in essential retail vouchers the second fund brought the total donated via both Team Member Support Funds to £1,160,000. In March 2022 the business has also launched a new Team Member Support Scheme by offering a one-off grant of up to £5,000 for employees in most financial need.

During the pandemic Greene King supported communities by donating £800,000 of food to national, regional and local foodbanks.

Our people – creating life opportunities for all through innovative social mobility programmes

At Greene King we believe that everyone has a right to great career opportunities. Our Stepping Up report challenged the barriers of social mobility and gave our commitment to create the best opportunities for individuals from all backgrounds in the hospitality sector.

Our award winning social mobility programmes support:

- Apprenticeship opportunities for all. We currently offer 30 different apprenticeships, extending our offer with apprenticeship in finance, accounting, project management and coaching. In 2021, 920 team members undertook apprenticeships, with 740 completing their apprenticeship. We start 2022 with 1,400 team members in learning through apprenticeships.

- Young people from disadvantaged backgrounds into employment through our partnership with The Prince's Trust. We have pledged to create 1,000 job opportunities for young people over the next five years, with a target of 40% from Black, Asian, and minority ethnic backgrounds. This forms part of our ambitious race diversity commitments published in our manifesto Calling Time on Racism. The programme was paused during part of 2021 due to the pandemic but together Greene King and The Prince's Trust have an ambitious plan of training programmes for young people across the UK in 2022.

- Ex-offenders and people experiencing homelessness into fulfilling careers through our Releasing Potential programme. Launched in 2018 and working with Ministry of Justice, Only a Pavement Away, New Futures Network and Novus, 89 team members have joined Greene King through this programme. During 2021 42 team members joined Greene King via the programme.

- People with learning disabilities or difficulties into work through our Supported Internships programme. In 2020 Greene King launched our first programme in partnership with Landmarks College. In 2021 we have expanded the programme partnership with Mencap to provide work experience and job opportunities to young people. In 2021 39 young people joined the Greene King family through our Supported Internships programme.

Inclusion and diversity

At Greene King we believe in creating an inclusive environment for all our team members, providing everyone with the opportunity to have a fair and equal chance to fulfil their potential and creating a welcoming environment for all our customers. In 2021 we continued our journey towards everyday inclusion where everyone feels welcome, can thrive and truly belong. We have signed up to external commitments including the Valuable 500 and If Not Now, When? and in 2021 created a new strategy that clearly set outs our plans and commitments to achieve our diversity and inclusion aspirations based on education, awareness and activity.

In 2021 Greene King published its race manifesto, Calling Time on Racism, setting out our ambition to embrace and value our Black, Asian and minority ethnic team members and the wider community and increase their representation within the hospitality sector to become a leading and truly antiracist organisation.

Calling Time on Racism is underpinned by four commitments:

1. Our senior leadership team will fully embrace antiracism in philosophy and practice, leading the journey of racial inclusion and representation across the organisation
2. Establish and embed a sustainable culture of inclusion, celebration of difference and courage across the business
3. Enhance the customer experience and leverage the Greene King brand and assets to promote racial inclusion and drive entrepreneurial opportunities for those who experience racism
4. Ensure that our community activity reflects the diversity of the communities we serve, being a driver for change on race diversity locally

This year we have launched a reverse mentoring programme, where all of the Greene King executive board team was assigned a mentor from Black, Asian and minority ethnic backgrounds, to see just how diversity and inclusion impacts on team members at all levels and across all divisions in the business.

NON-FINANCIAL INFORMATION

Environment and energy and carbon reporting

Operating sustainably including greenhouse gas emissions – see pages 24 to 26.

Employees and statement on employee engagement

It is our policy to ensure that team members are selected, recruited, developed, remunerated and promoted on the basis of their skill and suitability for the work performed. The company is committed to treating all team members fairly and equally and will endeavour to provide workplace adaptions and training for team members or candidates who have a disability and team members who become disabled during their employment.

Human rights

While we do not have a formal human rights policy, we are absolutely committed to conducting business with integrity and fairness.

Our code of conduct provides that all team members are to be treated with respect, and their health, safety and basic human rights protected and promoted. It covers a range to topics including modern slavery, working conditions, child labour, discrimination and anti-corruption and anti-bribery measures, including a specific anti-bribery policy.

We expect our suppliers and sub-contractors to comply with the provisions of our code or meet the same standard through their own code.

Our whistleblowing policy for our team members encourages them to report any wrongdoing, including human rights violations such as modern slavery or human trafficking and any concerns with bribery. Our teams are able to report via a confidential external supplier email or hotline and no significant issues were raised through these during the year. See the full modern slavery statement on our website.

Data privacy – the company has paid particular attention to embedding data privacy into the company's ways of working through a governance committee, incident management, training and awareness, quality control and a change programme that focuses on privacy by design and default. For an explanation of how the company uses the personal data see the privacy notice at www.greeneking.co.uk/privacy.

Anti-corruption and bribery

All forms of bribery are prohibited across all Greene King operations, in all of our locations and in all of our interactions with any third parties, and whether by Greene King employees or by third parties on our behalf. We do not make payments or give cash equivalents or anything else of value to secure an unfair business advantage, nor do we make payments or provide any benefit to government officials to obtain business, favourable treatment or to avoid a fine or penalty. We do not permit the payment of facilitation payments or such like to speed up the performance of government officials.

We have in place online anti-bribery training for our support centre staff and pub managers which explains the law and the responsibility each team member faces. Our gifts and hospitality policy requires that all gifts must be recorded on a central database. Gifts over £250 also requires line manager's approval and anything more than £5,000 requires permission from the chief executive.

The strategic report has been approved by the directors on 26 April 2022 and signed on behalf of the directors by:

R Smothers

Director

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE REPORT

Background

The board has adopted a governance code appropriate to its status as a large private company incorporated in the UK and a member of a Hong Kong listed group.

The arrangements, which were adopted by the board in February 2020, are based on the Wates Principles for large private companies but have been adapted to recognise the company's position as a member of the CKA group. The principles adopted by the board cover the following six pillars:

Purpose and leadership

This requires the board to ensure that the company has a strategy and business model to generate long-term sustainable value, that the company operates with a clear sense of purpose and collective vision, and that the company's values, strategy and culture align with its purpose.

Management of the COVID-19 crisis remained a significant focus for the board and the company during the year. At the same time, significant progress was made in relation to the three "transition to business as usual" objectives:

- Bounce back into action stronger for customers, partners, people and owners, as demonstrated by improved customer reputation and employee engagement scores, and the development of a new customer offer, Crafted Pubs;
- Finish the foundations we are building in culture, organisation and strategy, as demonstrated by the ongoing roll out of the 'Greene King Unleashed' programme, the completion of a bottom-up five-year strategic plan and the launch of foundational projects for the Greene King brand, customer engagement, segmentation and pricing; and
- Maximise the performance of the business in a balanced way, as demonstrated by the development and roll out of the transformational "Dartboard" balanced scorecard.

Considerable time was also devoted to preparing plans and priorities for 2022.

Board composition

This focuses on the role of the chair and requires the board to provide constructive challenge to management to ensure effective decision making.

The chairman of the company, George Magnus, has considerable experience as a non-executive director and chairman. His role is key to ensuring that the board provides effective decision making and constructive challenge to management. The non-executive directors of the board, appointees of CKA, are experienced executives with a range of skills and experience, including in the retail sector. All directors are given the opportunity to ask questions of management during board meetings and to offer their insight and experience where relevant.

Director responsibilities

This requires the board to establish and maintain corporate governance practices that provide clear lines of accountability and responsibility to support effective decision making.

The board has approved a schedule of responsibilities setting out matters requiring board approval. These include the following:

- approval of the long-term strategy of the company;
- extension of the group's activities into new businesses or geographic areas and approval of all significant corporate acquisitions or disposals by the group;
- approval of major changes to the group's corporate structure;
- approval of the annual statutory accounts;
- changes to the governance structure of the group and;
- approval of new board appointments.

The board has also approved the formation of a board committee whose initial members comprise representatives from CKA and the chief executive officer, chief financial officer and chief people officer of Greene King. This has been delegated the authority to make certain decisions relating to the management and operation of the company, as set out in the schedule of responsibilities approved the board. Matters for which the board committee has responsibility include:

- approval of the annual operating and capital expenditure budgets;
- approval of the funding strategy and debt structure;
- approval of any significant changes to the group's management and control structure;
- the declaration or recommendation of dividends;
- approval of any significant changes in accounting policies or practices;
- determining the remuneration policy of the company and;
- approval of executive pay.

During the year the board committee passed a number of resolutions relating in particular to the debt structure of the group and the acquisition of companies. A new facility agreement with the Bank of Nova Scotia was approved by the committee in December 2021. In June 2021 the committee approved the acquisition of shares in a company in connection with the group's roll out of electric vehicle charging points across its pub estate and later in the year approved the acquisition of 3 companies in connection with the acquisition of the freehold of a number of leasehold pubs already occupied by the group.

The board committee also approved the annual budget for 2022 in a meeting held in December. Certain members of the board (who are not board committee members) also attended the meeting and were provided the opportunity to ask any questions and provide their views.

The board has also approved an authorities matrix setting out a range of operational controls, which is reviewed on an annual basis.

Opportunity and risk

This requires the company to ensure that management promotes the long-term sustainable success of the company by identifying opportunities to create and preserve value and establishing oversight for the identification and mitigation of risks. During the year the board was kept fully informed of the actions taken by management to deal with the COVID-19 pandemic. Details of the risks facing the business are set out in the section on principal risks and uncertainties and the COVID-19 sections within the strategic report.

The board is also kept appraised on a regular basis of opportunities for the business, whether they relate to potential acquisitions or other corporate activity, new areas of business or other opportunities to improve the customer or employee offer.

In addition to the risk management processes outlined in the principal risks and uncertainties section of this report, the key elements of the group's internal control framework are:

- the governance arrangements outlined above;
- the group's defined management structure with suitable authority limits and responsibilities, staffed by appropriate personnel;
- regular updates for the board on strategy;
- a comprehensive planning and financial reporting procedure including annual budgets and a longer-term strategic plan, both of which will be reviewed and approved by the board;
- ongoing monitoring by both the board and senior management of performance against budgets, through the periodic reporting of detailed management accounts and key performance indicators;
- ongoing monitoring by the board of compliance with financial covenants;
- a centralised financial reporting system and close process, with controls and reconciliation procedures designed to facilitate the production of the consolidated accounts;
- clearly defined evaluation and approval processes for acquisitions and disposals, capital expenditure and project control, with escalating levels of authority (including board approval for major acquisitions and disposals), detailed appraisal and review procedures and post-completion reviews;
- review of retail operational compliance by the retail internal audit team responsible and other analytical and control procedures facilitated by the EPOS till system;
- audits conducted by the group internal audit function of business and functional control environments; and
- documented policies to cover data protection, modern slavery, bribery and whistle-blowing and regular updates on any incidents.

Remuneration

This requires the board to ensure that executive remuneration structures are aligned to the long-term sustainable success of the company, taking into account pay and conditions elsewhere in the company and that remuneration for directors and senior managers should be aligned with performance, behaviours and the achievement of the company's purpose, values and strategy.

The board committee has responsibility for approving changes to executive pay. Approval was given for a standard 2% increase to all non-pub level employees in the autumn. The introduction of the "Dartboard" balanced scorecard will ensure that remuneration in aligned with performance. Bonus arrangements going forwards will not only reflect achievement against the scorecard but also individual behaviours and the achievement of the company's strategic objectives.

Stakeholder relationships and engagement

This requires the board to ensure that the company conducts meaningful engagement with stakeholders, including the workforce, and has regard to their views when taking decisions.

Further details of how the company has managed relationships and engaged with its various stakeholders can be found in the section on Directors duties under section 172 Companies Act 2006, in the strategic report.

DIRECTORS' REPORT

The directors present their annual report together with the audited financial statements for the 52-week period ended 2 January 2022. The company has chosen in accordance with section 414C(11) of the Companies Act 2006 to include matters of strategic importance in the strategic report which otherwise would be required to be disclosed in the directors' report.

Stakeholder and employee engagement	p 25 to 26
Greenhouse gas emissions, energy consumption and energy efficiency	p 24 to 25
Corporate governance statement	p 28 to 29
Section 172 statement	p 17 to 19
Employing disabled persons	p 27

The company

Greene King Limited is a private limited company with registered office at Westgate Brewery, Bury St. Edmunds, Suffolk, IP33 1QT.

Results and dividends

The adjusted loss before tax and adjusting items was £113.8m for the 52 weeks to 2 January 2022 (36 weeks ended 3 January 2021: loss £279.5m). The directors do not recommend the payment of a dividend to its sole shareholder this period.

Directors and their interests

The directors during the period and to the date of this report, except stated otherwise, were as follows:

N Mackenzie, chief executive officer

R Smothers, chief financial officer

D Dyson, non-executive director

A Hunter, non-executive director

L C G Ma, non-executive director

P Macnab, non-executive director

G Magnus, non-executive chairman

Future developments

The group intends to continue to operate in the areas of management of public houses and the retailing of beers, wines, spirits and soft drinks for the foreseeable future. Details of any events occurring after the year end are set out in note 29 in the financial statements.

Financial instruments

The group's policy on the use of financial instruments is set out in note 21 to the financial statements.

Political Donations

The Greene King group makes no political donations (36 weeks ended 3 January 2021: nil).

Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the strategic review. The financial position of the group, its cash flows, liquidity position and borrowing facilities are described in the financial review. In addition, note 21 to the financial statements includes the group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit and liquidity risk.

The directors have made enquiries into the adequacy of the company's financial resources through a thorough review of the financial commitments over the short and medium term and their impact on the company's cash flow.

On 4 April 2022, the group extended the £1,500m unsecured revolving loan facility with an indirect intermediate parent company with which the group shares the same ultimate parent from November 2022 to November 2024. The remaining terms of the facility remain unchanged.

In addition to the above facility, the other principal elements of the group's financing structure are:

- Unsecured bank facilities totalling £600m, comprising £520m of revolving credit facilities and a £80m term loan facility, which are guaranteed by the group's ultimate parent and mature in 2024 and 2025;
- the Greene King securitisation of secured bonds with a group carrying value of £1,314.6m (2021: £1,360.5m) and an average life of eight years (2021: nine years), secured against 1,481 pubs (2021: 1,485 pubs) with a group carrying value of £2.0bn (2021: £2.0bn);
- the Spirit debenture of secured bonds with a carrying value of £99.5m (2021: £99.8m) and an average life of nine years (2021: ten years), secured against 518 pubs (2021: 530 pubs) with a group carrying value of £0.5bn (2021: £0.5bn); and
- liquidity facilities totalling £239.0m (2021: £239.0m) which can only be used for the purpose of meeting the securitisation's debt service obligations should there ever be insufficient funds available from operations to meet such payments. There were no drawdowns under these facilities during the year and the drawn down amount at the year-end was £nil (2021: £nil).

The undrawn facilities at the end of the financial year and at the end of Period 3 on 3 April 2022 were £424.0m. In the Greene King securitisation there were breaches of the two-quarter lookback FCF DSCR covenant in respect of the quarters ending April 2021 and July 2021, and breaches of the four-quarter lookback FCF DSCR covenant in respect of the quarters ending April 2021, July 2021, October 2021 and January 2022. The directors secured a waiver in respect of each of these breaches as well as any breach of the four-quarter lookback FCF DSCR covenant for the quarter ending April 2022. Based on the group's current strategic plan the directors do not expect to need to seek further waivers during the period of 12 months from the date of the approval of the financial statements.

However, if additional waivers are necessitated by further enforced closures, the directors are confident that the support of bondholders could be secured in light of the overwhelmingly positive response to previous waiver requests.

For the purpose of the group's going concern assessment, the directors have modelled a reasonable worst-case scenario of a further sustained Omicron-style COVID-19 variant impacting the UK through the winter of 2022. The directors have also modelled what they believe to be a remote scenario, a two-month lockdown without government support during our peak months. Under both scenarios the group continues to have access to adequate funding to support the business through a period of at least 12 months from the date of the approval of the financial statements, including the repayment of the Spirit debenture debt of c.£100m should this debt be accelerated while the platform remains in technical default. However, in the absence of any government support this reduction in trade would likely result in further breaches of both the two-quarter and four-quarter lookback FCF DSCR covenant without mitigating actions. In either scenario the directors could elect to prevent the breach by providing financial support to the Greene King securitisation through lower operating cost re-charges from other group companies, or alternatively seek a further waiver from bondholders.

The directors have a reasonable expectation that the group has sufficient resources to continue in operational existence for the period of at least twelve months from the date of approval of these financial statements. Accordingly, the directors continue to adopt a going concern basis for the preparation of the financial statements.

Directors' and officers' indemnity insurance

The group has taken out insurance to indemnify the directors of the company against third party proceedings whilst serving on the board of the company and of any subsidiary. This cover indemnifies all team members of the group who serve on the boards of all subsidiaries. These indemnity policies subsisted throughout the year and remain in place at the date of this report.

Statement as to disclosure of information to auditor

The directors who were a member of the board at the time of approving this report are listed above. Having made enquiries of the company's auditor, the directors confirm that:

- to the best of their knowledge and belief, there is no information relevant to the preparation of this report of which the company's auditor is unaware; and
- they have taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Deloitte LLP have audited these financial statements and have confirmed their willingness to continue as auditors going forwards. They will therefore be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with International Financial Reporting standards ('IFRS') in conformity with the requirements of the Companies Act 2006, and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101'). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and the profit or loss of the group for that period.

In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- In respect of the group financial statements, state whether IFRSs as adopted by the UK have been followed, subject to any material departures disclosed and explained in the financial statements.
- Provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group's financial position and performance;
- In respect of the parent company financial statements, state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and/or the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006 and with, respect to the group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This report was approved by the board on 26 April 2022 and signed on its behalf.

R Smothers

Director

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GREENE KING LIMITED

Opinion
In our opinion:
- the financial statements of Green King Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 2nd January 2022 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:
- the group income statement;
- the group statement of comprehensive income;
- the group and company balance sheets;
- the group and company statements of changes in equity;
- the group cash flow statement;
- the statement of accounting policies; and
- the related notes 1 to 43.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and United Kingdom adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

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.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement, 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's and the 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and internal audit about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, UK tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included data protection regulations, licensing regulations, the pub code, occupational health and safety regulation, employment legislation, responsible drinking regulations and planning and building legislation.

We discussed among the audit engagement team including relevant internal specialists such as tax, valuations, pensions, IT & financial instruments regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address it are described below:

- In regard to revenue recognition, and the accuracy of managed pub revenue, we used data analytics to test the correlation of revenue to cash receipts for managed pub revenue to identify where adjustments have arisen between the pub till system and the accounting system; these were then tested for accuracy by tracing to relevant support documentation. We also assessed the design and implementation of relevant controls around the recognition of revenue.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.
In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, and reviewing internal audit reports, and reviewing correspondence with HMRC.

Report on other legal and regulatory requirements

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 the directors' report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

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.

Timothy Steel (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, UK
26 April 2022

GROUP INCOME STATEMENT

FOR THE 52 WEEKS ENDED 2 JANUARY 2022

	Note	**52 weeks ended 2 January 2022 Total £m**	36 weeks ended 3 January 2021 Total £m
Revenue	3	**1,341.6**	562.1
Operating costs	4	**(1,277.8)**	(711.4)
Operating profit/(loss)		**63.8**	(149.3)
Analysed as:			
Adjusted operating profit/(loss)		**18.6**	(185.8)
Adjusting items	5	**45.2**	36.5
Finance income	7	**6.2**	0.7
Finance cost	7	**(140.4)**	(100.0)
Analysed as:			
Adjusted net finance costs		**(132.4)**	(93.7)
Adjusting items	5	**(1.8)**	(5.6)
Loss before tax		**(70.4)**	(248.6)
Tax	9	**38.6**	(20.8)
Analysed as:			
Adjusted Tax		**55.5**	53.8
Adjusting items	5	**(16.9)**	(74.6)
Loss attributable to equity holders of parent		**(31.8)**	(269.4)

The notes on pages 41 to 89 form part of these financial statements.

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE 52 WEEKS ENDED 2 JANUARY 2022

	Note	**52 weeks ended 2 January 2022 £m**	36 weeks ended 3 January 2021 £m
Loss for the period		**(31.8)**	(269.4)
Other comprehensive income to be reclassified to the income statement in subsequent periods			
Cash flow hedges:			
– Gains/(Losses) on cash flow hedges taken to other comprehensive income		**33.7**	(7.7)
– Transfers to income statement on cash flow hedges		**20.8**	14.7
Deferred tax on cash flow hedges	9	**(1.7)**	2.1
		52.8	9.1
Items not to be reclassified to the income statement in subsequent periods			
Remeasurement gains/(losses) on defined benefit pension schemes	8	**83.3**	(6.4)
Deferred Tax on remeasurement (gains)/losses	9	**(23.0)**	0.8
		60.3	(5.6)
Other comprehensive income for the period, net of tax		**113.1**	3.5
Total comprehensive gain/(loss) for the period, net of tax		**81.3**	(265.9)

The notes on pages 41 to 89 form part of these financial statements.

GROUP BALANCE SHEET

AS AT 2 JANUARY 2022

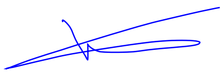
	Note	As at 2 January 2022 £m	As at 3 January 2021 £m
Non-current assets			
Property, plant and equipment	11	**3,717.9**	3,667.7
Right-of-use assets	19	**529.2**	608.4
Intangibles	10	**7.4**	8.2
Goodwill	10	**905.2**	905.2
Financial assets	12	**5.7**	6.2
Post-employment assets	8	**136.8**	48.3
		5,302.2	5,244.0
Current assets			
Inventories	14	**48.6**	32.1
Financial assets	12	**3.5**	3.9
Income tax receivable	9	**8.9**	-
Trade and other receivables	15	**146.3**	102.4
Prepayments		**22.8**	14.4
Cash and cash equivalents	16	**95.0**	145.5
		325.1	298.3
Property, plant and equipment held for sale	17	**5.6**	1.0
		330.7	299.3
Total assets		**5,632.9**	5,543.3
Current liabilities			
Borrowings	20	**(1,536.9)**	(445.4)
Lease liabilities	19	**(35.7)**	(60.3)
Derivative financial instruments	21	**(10.7)**	(13.2)
Trade and other payables	18	**(353.1)**	(223.2)
Income tax payable	9	**-**	(17.6)
Provisions	22	**(4.7)**	(5.3)
		(1,941.1)	(765.0)
Non-current liabilities			
Borrowings	20	**(1,552.4)**	(2,578.0)
Lease Liabilities	19	**(557.1)**	(671.7)
Derivative financial instruments	21	**(102.1)**	(148.0)
Deferred tax liabilities	9	**(31.8)**	(12.9)
Provisions	22	**(3.9)**	(4.5)
		(2,247.3)	(3,415.1)
Total liabilities		**(4,188.4)**	(4,180.1)
Total net assets		**1,444.5**	1,363.2

	Note	**As at 2 January 2022 £m**	As at 3 January 2021 £m
Issued capital and reserves			
Share capital	23	**39.0**	39.0
Share premium	24	**269.4**	269.4
Merger reserve	24	**752.0**	752.0
Capital redemption reserve	24	**3.3**	3.3
Hedging reserve	24	**(107.5)**	(160.3)
Retained earnings		**488.3**	459.8
Total equity		**1,444.5**	1,363.2
Net debt	26	**(2,994.3)**	(2,877.9)

The notes on pages 41 to 89 form part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 26 April 2022.

They were signed on its behalf by:



Richard Smothers
Director

GROUP CASH FLOW STATEMENT

FOR THE 52 WEEKS ENDED 2 JANUARY 2022

	Note	**52 weeks ended 2 January 2022 £m**	36 weeks ended 3 January 2021 £m
Operating activities			
Operating profit/(loss)		**63.8**	(149.3)
Operating adjusting items	5	**(45.2)**	(36.5)
Depreciation	4	**136.9**	107.7
Amortisation	4	**0.8**	0.6
Adjusted EBITDA[1]	3	**156.3**	(77.5)
Working capital and other movements	25	**80.1**	(73.3)
Interest received		**1.2**	0.1
Interest paid		**(124.2)**	(82.0)
Tax (paid)/received		**(0.2)**	10.4
Net cash flow from operating activities		**113.2**	(222.3)
Investing activities			
Freehold reversions	11	**(99.9)**	(373.2)
Purchase of property, plant and equipment	11	**(82.8)**	(52.8)
Advances of trade loans	12	**(2.2)**	(1.9)
Repayment of trade loans	12	**5.0**	3.0
Sales of property, plant and equipment		**0.6**	7.7
Net cash flow from investing activities		**(179.3)**	(417.2)
Financing activities			
Financing costs	26	**-**	(0.2)
Repayment of borrowings	26	**(347.1)**	(197.9)
Advance of borrowings	26	**411.0**	969.5
Repayments of lease liabilities	26	**(48.8)**	(6.8)
Net cash flow from financing activities		**15.1**	764.6
Net (decrease)/increase in cash and cash equivalents		**(51.0)**	125.1
Opening cash and cash equivalents	16	**145.5**	20.4
Closing cash and cash equivalents	16	**94.5**	145.5

1. Adjusted EBITDA represents earnings before interest, tax, depreciation, amortisation and adjusting items.

The notes on pages 41 to 89 form part of these financial statements.

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE 52 WEEKS ENDED 2 JANUARY 2022

	Note	Share capital £m	Share premium £m	Merger reserve £m	Capital redemption reserve £m	Hedging reserve £m	Retained earnings £m	Total equity £m
At 26 April 2020		**39.0**	**269.4**	**752.0**	**3.3**	**(169.4)**	**734.8**	**1,629.1**
Loss for the period	3	-	-	-	-	-	(269.4)	(269.4)
Other comprehensive income:								
Actuarial losses on defined benefit pension schemes (net of tax)	8,9	-	-	-	-	-	(5.6)	(5.6)
Net gain on cash flow hedges (net of tax)		-	-	-	-	9.1	-	9.1
Total comprehensive income		-	-	-	-	9.1	(275.0)	(265.9)
At 3 January 2021		**39.0**	**269.4**	**752.0**	**3.3**	**(160.3)**	**459.8**	**1,363.2**
Loss for the period	3		-	-	-	-	(31.8)	(31.8)
Other comprehensive income:								
Actuarial gain on defined benefit pension schemes (net of tax)	8,9	-	-	-	-	-	60.3	60.3
Net gain on cash flow hedges (net of tax)		-	-	-	-	52.8	-	52.8
Total comprehensive income		**-**	**-**	**-**	**-**	**52.8**	**28.5**	**81.3**
At 2 January 2022		**39.0**	**269.4**	**752.0**	**3.3**	**(107.5)**	**488.3**	**1,444.5**

The notes on pages 41 to 89 form part of these financial statements.

NOTES TO THE ACCOUNTS

FOR THE 52 WEEKS ENDED 2 JANUARY 2022

1 BASIS OF PREPARATION

Corporate information

The consolidated financial statements of Greene King Limited for the period ended 2 January 2022 were authorised for issue by the board of directors on 26 April 2022. Greene King Limited is a private company limited by shares incorporated and domiciled in England and Wales.

Statement of compliance

The group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) in conformity with the requirements of the Companies Act 2006 as they apply to the financial statements of the group for the 52 weeks ended 2 January 2022 (prior period 36 weeks ended 3 January 2021). The financial statements have been prepared on the historical cost basis, except for financial instruments as explained in the accounting policies below.

Basis of preparation

The consolidated financial statements have been prepared in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. They are presented in millions of pounds sterling, with values rounded to the nearest hundred thousand, except where otherwise indicated.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Greene King Limited, its subsidiaries and Greene King Finance plc, Spirit Issuer plc, Greene King Finance Parent Limited and Spirit Issuer Parent Limited. Greene King Finance plc and Spirit Issuer plc are structured entities set up to raise bond finance for the group.

The Law Debenture Intermediary Corporation plc holds the shares of Greene King Finance Parent Limited under a declaration of trust for charitable purposes. The rights provided to the group through the securitisation give the group the power over this company and the ability to use that power to affect its exposure to variable returns from them. Wilmington Trust SP Services (London) Limited holds the shares of Spirit Issuer Parent Limited under a declaration of trust for charitable purposes. The rights provided to the group through the Debenture give the group the power over this company and the ability to use that power to affect its power to affect its exposure to variable returns from them. As Greene King Limited has full control over these entities, they are fully consolidated. The financial statements of subsidiaries are prepared for the same reporting year end as the parent company with adjustments made to their financial statements to bring their accounting policies in line with those used by the group. As such, the directors of Greene King Limited consider that these companies are controlled by the group, as defined in IFRS 10 'Consolidated Financial Statements' and hence for the purpose of the consolidated financial statements they have been treated as subsidiary undertakings.

The results of subsidiaries are consolidated from the date of acquisition, being the date on which the group obtains control, and continue to be consolidated until the date that such control ceases. Intercompany transactions, balances, income and expenses are eliminated on consolidation.

Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the strategic review. The financial position of the group, its cash flows, liquidity position and borrowing facilities are described in the financial review. In addition, note 21 to the financial statements includes the group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit and liquidity risk.

The directors have made enquiries into the adequacy of the company's financial resources through a thorough review of the financial commitments over the short and medium term and their impact on the company's cash flow.

On 4 April 2022, the group extended the £1,500m unsecured revolving loan facility with an indirect intermediate parent company with which the group shares the same ultimate parent from November 2022 to November 2024. The remaining terms of the facility remain unchanged.

In addition to the above facility, the other principal elements of the group's financing structure are:

- unsecured bank facilities totalling £600m, comprising £520m of revolving credit facilities and a £80m term loan facility, which are guaranteed by the group's ultimate parent and mature in 2024 and 2025;
- the Greene King securitisation of secured bonds with a group carrying value of £1,314.6m (2021: £1,360.5m) and an average life of eight years (2021: nine years), secured against 1,481 pubs (2021: 1,485 pubs) with a group carrying value of £2.0bn (2021: £2.0bn);
- the Spirit debenture of secured bonds with a carrying value of £99.5m (2021: £99.8m) and an average life of nine years (2021: ten years), secured against 518 pubs (2021: 530 pubs) with a group carrying value of £0.5bn (2021: £0.5bn); and
- liquidity facilities totalling £239.0m (2021: £239.0m) which can only be used for the purpose of meeting the securitisation's debt service obligations should there ever be insufficient funds available from operations to meet such payments. There were no drawdowns under these facilities during the year and the drawn down amount at the year-end was £nil (2021: £nil).

The undrawn facilities at the end of the financial year and at the end of Period 3 on 3 April 2022 were £424.0m.

In the Greene King securitisation there were breaches of the two-quarter lookback FCF DSCR covenant in respect of the quarters ending April 2021 and July 2021, and breaches of the four-quarter lookback FCF DSCR covenant in respect of the quarters ending April 2021, July 2021, October 2021 and January 2022. The directors secured a waiver in respect of each of these breaches as well as any breach of the four-quarter lookback FCF DSCR covenant for the quarter ending April 2022. Based on the group's current strategic plan the directors do not expect to need to seek further waivers during the period of 12 months from the date of the approval of the financial statements. However, if additional waivers are necessitated by further enforced closures, the directors are confident that the support of bondholders could be secured in light of the overwhelmingly positive response to previous waiver requests.

For the purpose of the group's going concern assessment, the directors have modelled a reasonable worst-case scenario of a further sustained Omicron-style COVID-19 variant impacting the UK through the winter of 2022. The directors have also modelled what they believe to be a remote scenario, a two-month lockdown without government support during our peak months. Under both scenarios the group continues to have access to adequate funding to support the business through a period of at least 12 months from the date of the approval of the financial statements, including the repayment of the Spirit debenture debt of c.£100m should this debt be accelerated while the platform remains in technical default. However, in the absence of any government support this reduction in trade would likely result in further breaches of both the two-quarter and four-quarter lookback FCF DSCR covenant without mitigating actions. In either scenario the directors could elect to prevent the breach by providing financial support to the Greene King securitisation through lower operating cost re-charges from other group companies, or alternatively seek a further waiver from bondholders.

The directors have a reasonable expectation that the group has sufficient resources to continue in operational existence for the period of at least twelve months from the date of approval of these financial statements. Accordingly, the directors continue to adopt a going concern basis for the preparation of the financial statements.

New accounting standards, amendments and interpretations adopted by the group

The following new standards, interpretations and amendments to standards are mandatory for the group for the first time for their annual reporting period commencing 4 January 2021.

Those standards and interpretations include:

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)

The group has considered the above new standards and has concluded that both have an impact on the group's financial statements.

Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

In the prior period the group early adopted the Interest Rate Benchmark Reform Phase 1 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. This allowed the group to continue hedge accounting for its benchmark interest rate exposures during the period of uncertainty from interest rate benchmark reforms. In the current year, the company has adopted amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16 Interest Rate Benchmark Reform Phase 2 as issued in August 2020.

The Phase 2 amendments provide practical relief from certain requirements in the standards. When the basis for determining the contractual cash flows of a financial instrument is changed as a direct consequence of interest rate benchmark reform and is made on an economically equivalent basis, the Phase 2 amendments provide a practical expedient to update the effective interest rate of a financial instrument before applying the existing requirements in the standards. The Phase 2 amendments also provide a series of reliefs from certain hedge accounting requirements when a change required by interest rate benchmark reform occurs to a hedged item and/or hedging instrument and consequently the hedge relationship can be continued without any interruption. The group has no variable lease payments that are linked to LIBOR.

COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)

The group has early adopted COVID-19 Related Rent concessions beyond 30 June 2021 – Amendment to IFRS 16 issued on 31 March 2021. The amendment extends the optional practical expedient for lessees not to treat eligible rent concessions that are a direct consequence of the COVID-19 coronavirus pandemic as lease modifications until 30 June 2022. The group has recognised a £3.2m credit in profit or loss to reflect changes in lease payments arising from rent concessions, see note 19.

Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the group has not early adopted them in preparing these consolidated financial statements. It is the group's view that none of the new standards or amendments will have a significant impact on the group's consolidated financial statements.

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018–2020
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

Significant accounting judgments and estimates

Significant accounting judgments

In the course of preparing the financial statements, the key judgments made in the process of applying the group's accounting policies are detailed below:

Adjusting items

Management uses a range of measures to monitor and assess the group's financial performance. These measures include a combination of statutory measures calculated in accordance with IFRS and alternative performance measures. The alternative performance measures represent the equivalent IFRS measures but are adjusted to exclude items that management considers would prevent comparison of the group's performance both from one reporting period to another and with other similar businesses. Management believes that these alternative performance measures provide useful additional information about the group's performance and are consistent with how the business performance is measured internally by the chief decision maker.

The classification of items excluded from profit before adjusting items requires judgment including consideration of the nature, circumstances, scale and impact of transaction. The group's definition of items excluded, together with further details of adjustments made, is provided within the accounting policy section, note 2.

Determining the lease term of contracts with renewal and termination options – Group as Lessee

The group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The group has several lease contracts that include extension and termination options. The group applied judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the group reassesses the lease term if there is a significant event or change in circumstances that is within its controls and affects its ability to exercise or not to exercise the option to renew or to terminate. The total potential effect of these clauses has been disclosed in note 19.

Significant accounting estimates

The areas of estimation that have a significant risk of resulting in material adjustments to carrying amounts of assets and liabilities are detailed below:

Impairment of property, plant and equipment, intangible assets and right-of-use assets

IFRS requires management to perform impairment tests annually for indefinite lived assets (Goodwill), and for finite lived assets (property, plant and equipment, right-of-use assets and other intangible assets), if events or changes in circumstances indicate that their carrying amounts may not be recoverable.

Impairment testing requires management to judge whether the carrying value of assets can be supported by the net present value of future cash flows that they generate. Calculating the net present value of the future cash flows requires estimates to be made in respect of long-term growth rates, and the adoption of a suitable discount rate. The long-term growth rate has been based on expected industry returns which is slightly below the forecast long-term UK inflation rate. The discount rate is based on the group's WACC and is applied across all reporting segments as risk factors are considered to be similar.

Changes to the long-term growth rate or discount rate used, could significantly affect the group's impairment charge (and reversal) recognised in the income statement and the overall value of assets held at the balance sheet date. Management has provided analysis of the sensitivity to these key assumptions in note 11.

The cashflows used in the impairment exercise have been aligned to the group's 5-year strategy plan adopting a portfolio basis across our different customer propositions based on geography, location and trading profile, as the business expects to exceed pre-COVID-19 level sales in FY23 and pre-COVID-19 profitability over the medium to longer-term. Further details are provided in notes 11 and 19.

Useful economic life of Property, plant and equipment

The depreciation charge for an asset is derived using estimates of its expected residual value and useful economic life.

Residual values of property are determined with reference to current market property trends. If residual values are lower than estimated, an impairment of asset value and reassessment of future depreciation charge may be required.

For deferred tax purposes, residual values of property, plant and equipment are used as estimated sales proceeds (and offset against tax base cost) when calculating the contingent gains or losses that would arise if the property were sold at a given date.

COVID-19

As explained on page 5, COVID-19 continues to have an impact on the accounting estimates and judgements taken in the financial statements. As well as impacting the impairment calculation on Property, Plant and Equipment above, management have applied estimates within the expected credit loss calculation on trade loans and trade receivables, see notes 12, 15 and 21 for further details.

Consideration has also been given to the appropriateness of continuing to apply hedge accounting given the unprecedented uncertainty caused by the pandemic. The group deemed that this was appropriate in light of the availability of adequate facilities to meet scheduled debt service payments and its assessment that there has been no significant increase in either counterparty or own credit risk.

Determination of the incremental Borrowing rate – Group as a Lessee

IFRS 16 requires lease liabilities to be discounted at the interest rate implicit in the lease, however if this cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate (IBR). Management have applied the interest rate implicit in the lease when readily available, when this is not, management have applied an IBR as detailed below.

IBR is required to be calculated at the inception of the lease or where there is a change in lease term. Management have also elected to view the assets within portfolios for the calculation of IBR rather than applying this to every lease.

Management have used the following methodology to calculate the applicable IBR:

- determined the risk-free interest rate taking into account relevant factors such as term of the lease and economic environment;
- adjusted the risk-free interest rate to reflect the level of indebtedness of the entity and, where available, reflected recent third-party financing used in the entity;
- finally, the length of the lease was factored into the correlation between the term of the risk-free rate and term of the lease.

Taxation

The group's tax charge is the sum of the total current and deferred tax charges. The calculation of the group's tax charge involves estimation and judgment in respect of following items:

Recognition of deferred tax asset and liabilities

The group has exercised significant accounting estimation and judgment in the recognition of deferred tax liabilities in respect of property, plant and equipment. Significant accounting estimates and judgements include those used to determine the amount of net book value of property, plant and equipment to which the initial recognition exemption applies, the calculation of the tax base on sale (which is subject to certain restrictions under tax law) and the offsetting of inherent losses against inherent gains where tax losses are expected to be utilised against future profits and gains.

Corporate Interest Restriction

The following significant judgements and estimates have been used to calculate the current and deferred tax balances relating to Corporate Interest Restriction:

- As statutory accounts are not available, group accounts have been used to estimate Net Tax Interest Expense and Tax EBITDA on an entity basis.
- Following on from the CKA acquisition the group has relied on estimates provided by CKA, CKA's assertions that the group should adopt the Fixed Ratio methodology and that the group should not suffer restrictions unrelated to the group. In addition, the wider CKA group has a history of restrictions meaning that reactivations of interest are unlikely and therefore deferred tax asset recognition is not possible

Pension liabilities

Management uses estimates when determining the group's liabilities and expenses arising for defined benefit pension schemes.

The present values of pension liabilities are determined on an actuarial basis and depend on actuarial assumptions. Key assumptions have been identified as the discount rate adopted, implied inflation rate and assumed life expectancy. Any change in these assumptions will impact on the carrying amount of pension liabilities, with further details on assumptions adopted and related sensitivity disclosed in note 8.

The group has determined that when all members have left the scheme, any surplus remaining would be returned to the company in accordance with the trust deed. As such the full economic benefit of the surplus under IAS 19 is deemed available to the company and is recognised in the balance sheet.

2 SIGNIFICANT ACCOUNTING POLICIES

Property, plant and equipment

Property, plant and equipment is stated at cost or deemed cost on transition to IFRS, less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset.

Freehold land is not depreciated. Freehold and long leasehold buildings are depreciated to their estimated residual values over periods up to 50 years, and short leasehold improvements are depreciated to their estimated residual values over the shorter of the remaining term of the lease or useful life of the asset.

There is no depreciable amount if residual value is the same as, or exceeds, book value.

Plant and equipment assets are depreciated over their estimated lives which range from 3 to 20 years.

Residual values, useful lives and methods of depreciation are reviewed for all categories of property, plant and equipment and adjusted, if appropriate, at each financial year end.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Profit or loss on derecognition is calculated as the difference between the net disposal proceeds and the carrying amount of the asset and is included in the income statement in the year of derecognition.

Intangible assets

Brand intangibles

Brand intangible assets recognised on acquisition are amortised on a straight-line basis over their estimated useful lives (15 years) within operating costs.

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, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. The choice of measurement of non-controlling interests, either at fair value or at the proportionate share of the acquiree's identifiable net assets, is determined on a transaction-by-transaction basis. Acquisition costs incurred are taken to the income statement.

The group has an option to apply a ‘concentration test’ that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

When the group acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

Any contingent consideration to be transferred to the vendor is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which are deemed to be an asset or a liability are recognised in the income statement.

If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the acquisition date fair value of the consideration transferred and the amount recognised for the non-controlling interest over the net identifiable amounts of the assets acquired and liabilities assumed in exchange for the business combination. Assets acquired and liabilities assumed in transactions separate to the business combinations, such as the settlement of pre-existing relationships or post-acquisition remuneration arrangements, are accounted for separately from the business combination in accordance with their nature and applicable IFRS. Identifiable intangible assets, meeting either the contractual-legal or separability criteria, are recognised separately from goodwill. Contingent liabilities representing a present obligation are recognised if the acquisition date fair value can be measured reliably.

If the aggregate of the acquisition date fair value of the consideration transferred and the amount recognised for the non-controlling interest is lower than the fair value of the assets, liabilities and contingent liabilities and the fair value of any pre-existing interest held in the business acquired, the difference is recognised in the income statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, any goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment

Property, plant and equipment and Right-of-use assets

Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash inflows independent of the cash inflows of other groups of assets. For this purpose, this has been identified as individual sites.

An assessment is made at each reporting date as to whether there is an indication of impairment. If an indication exists, the group makes an estimate of the recoverable amount of each cash-generating unit (CGU). An asset's or cash-generating unit's recoverable amount is the higher of its fair value less costs of disposal and 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.

An impairment loss is recognised where the recoverable amount is lower than the carrying value of assets. If there is an indication that any previously recognised impairment losses may no longer exist or may have decreased, a reversal of the loss may be made only if there has been a change in the estimates used to determine the recoverable amounts since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount only up to the carrying amount that would have resulted, net of depreciation, had no impairment loss been recognised for the asset in prior years.

Impairment losses and any subsequent reversals are recognised in the income statement within operating costs.

Details of the impairment losses recognised in respect of property, plant and equipment are provided in note 11 and right-of-use assets in note 19.

Goodwill

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

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, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which goodwill is allocated represents the lowest level within the group at which goodwill is monitored for internal management purposes and cannot be larger than an operating segment before aggregation.

Impairment is determined by the recoverable amount of an operating segment. Where this is less than the carrying value of the operating segment, an impairment loss is recognised immediately in the income statement. This loss cannot be reversed in future periods.

Financial instruments

Financial instruments are recognised when the group becomes party to the contractual provisions of the instrument and are derecognised when the group no longer controls the contractual rights that comprise the financial instrument, normally through sale or when all cash flows attributable to the instrument are passed to an independent third party.

Classification, measurement and impairment

Financial assets

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade and other receivables that do not contain a significant financing component are measured at transaction price determined under IFRS 15.

Subsequently, the group classifies its financial assets as measured at:

- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit or loss

The classification depends on the financial asset's contractual cash flow characteristics and the group's business model for managing them.

The group's financial assets measured at amortised cost include financial assets (trade loans), trade and other receivables and cash and cash equivalents.

Financial assets are trade loans to publicans who purchase the group's beer and liquor. Trade loans that are held for the collection of contractual cash flows and the cash flows received from them are solely payments of principal, and interest on the principal amount outstanding is subsequently carried at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses.

Interest revenue on the trade loans is recognised in the income statement. Any gain or loss on derecognition is recognised in the income statement. There will be derecognition of trade loans when the group has no reasonable expectation of recovering the financial asset in its entirety or a portion thereof.

For financial assets held at amortised cost, an estimate of a 12-month expected credit losses (ECLs) are recognised as an impairment provision upon recognition of a new free trade loan; and at each reporting date, an assessment is made to determine if there has been a significant increase in credit risk since initial recognition. In cases where this is evident, lifetime expected credit losses are used as the basis for the impairment provision, otherwise the group measures the loss allowance for the financial asset at an amount equal to a 12-month expected credit loss.

Lifetime expected credit loss represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In turn, 12-month expected credit loss represents the portion of lifetime expected credit losses that is expected to result from default events on a financial instrument that are possible within 12-months after the reporting date.

Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The group holds trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

For trade receivables, the group adopts a simplified approach in calculating expected credit losses. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The group utilises a provision matrix that has been designed based on historically observed default rates adjusted by a forward-looking estimate that includes the probability of a worsening economic environment within the next year.

The group assesses a financial asset in default when contractual payments are 90 days past due. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Details about the group's calculation of the loss allowance are provided in note 21.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Financial liabilities

The group classifies all financial liabilities as subsequently measured at amortised cost, except for derivatives that are subsequently measured at fair value.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at fair value of the consideration received, net of issue costs. After initial recognition, interest-bearing loans and borrowings are measured at amortised cost using the effective interest method.

Trade payables

Trade payables are non-interest bearing and are stated at their nominal value.

Derivative financial instruments and hedge accounting

The group uses interest rate swaps to hedge its exposure to interest rate fluctuations on its variable rate loans, notes and bonds.

Interest rate swaps are initially measured at fair value, if any, and carried on the balance sheet as an asset or liability. Subsequent measurement is at fair value and the movement is recognised in the income statement unless hedge accounting is adopted. For interest rate swaps where hedge accounting is not applied, the fair value movement is analysed between pre-adjusted finance costs and adjusted finance costs.

Pre-adjusted finance costs include cash payments or receipts on the interest rate swaps so as to show the underlying fixed rate on the debt with the remaining fair value movement (which is generally the movement in the carrying value of the swap in the period) reflected as an adjusted item. For derivatives acquired at a non-zero fair value (e.g. on acquisition) the amortisation of the initial fair value is recognised in pre-adjusted finance costs to offset the cash payments or receipts.

Hedge accounting

To qualify for hedge accounting the hedge relationship must be designated and documented at inception. Documentation must include the group's risk management objective and strategy for undertaking the hedge and formal allocation to the item or transaction being hedged. The group also documents how it will assess the effectiveness of the hedge and carries out assessments through periodic prospective effectiveness testing to ensure that:

- there is an economic relationship between the hedged item and the hedging instrument;

- the effect of credit risk does not dominate the value changes that result from the economic relationship; and

- the hedge ratio is the same as that resulting from actual quantities of hedged items and hedging instruments used for risk management

Hedges can be classified as either fair value (hedging exposure to changes in fair value of an asset or liability), or cash flow (hedging the variability in cash flows attributable to an asset, liability or forecast transaction). The group uses certain of its interest rate swaps as cash flow hedges.

Cash flow hedge accounting

The effective portion of the gain or loss on an interest rate swap is recognised in Other comprehensive income (OCI), whilst any ineffective portion is recognised immediately in the income statement.

Amounts recognised in OCI are transferred to the income statement in the same period that the financial income or expense is recognised, unless the hedged transaction results in the recognition of a non-financial asset or liability whereby the amounts are transferred to the initial carrying amount of the asset or liability.

When a hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting, amounts previously recognised in OCI are held there until the previously hedged transaction affects the income statement. If the hedged transaction is no longer expected to occur, the cumulative gain or loss recognised in OCI is immediately transferred to the income statement.

Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Finance costs and income

Finance costs are expensed to the income statement using the effective interest method. Finance income is recognised in the income statement using the effective interest method.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method.

At the reporting date, inventories are assessed for impairment. If inventories are impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Statement of Comprehensive Income.

Property, plant and equipment held for sale

Property, plant and equipment is classified as held for sale only if it is available for sale in its current condition, management is committed to the sale and a sale is highly probable and expected to be completed within one year from the date of classification. Property, plant and equipment classified as held for sale is measured at the lower of carrying amount and fair value less costs of disposal and is no longer depreciated or amortised.

Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation.

Provisions are discounted to present value, where the effect of the time value of money is material, using a pre-tax discount rate that reflects current market estimates of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

Pensions and other post-employment benefits

Defined benefit pension schemes

The group operates two defined benefit pension schemes which require contributions to be made into separately administered funds. The cost of providing benefits under the schemes is determined separately for each plan using the projected unit credit actuarial method on an annual basis. Remeasurement gains and losses are recognised in full in the group statement of comprehensive income in the period in which they occur.

When a settlement or curtailment occurs the obligation and related scheme assets are remeasured, and the resulting gain or loss is recognised in the income statement in the same period.

Net interest on the net defined benefit liability/(asset) is determined by multiplying the net defined benefit liability/(asset) by the discount rate both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability/(asset) during the year as a result of contributions and benefit payments.

The defined benefit asset or liability recognised in the balance sheet comprises the present value of the schemes' obligations less the fair value of scheme assets. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the schemes.

Defined contribution pension schemes

Contributions to the group's defined contribution pension schemes are charged to the income statement as they become payable.

Revenue

Generally, revenue represents external sales (excluding taxes) of goods and services, net of discounts. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and is measured at the fair value of consideration receivable, excluding discounts, rebates, and other sales taxes or duty relating to brewing and packaging of certain products.

The group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money.

Premium, Urban and Venture, Local Pubs and Destination Food Brands

Food and drink

Revenue is recognised at the point at which food and drinks are provided based on till receipts taken in our licensed estate. Promotional discounts are recorded at point of sale. Revenue is reported on product sales net of VAT and discounts applied.

The performance obligation is satisfied upon the delivery of the food and drink and payment of the transaction price is due immediately when the customer purchases the food and/or drink.

Other services

Accommodation revenue is recognised on a daily basis based on occupancy at the agreed price (net of discount and VAT). Machine income is recognised where net takings are recognised as earned on the group's proportion of machine proceeds in the period of sale.

The performance obligation is satisfied at the point the service is provided and payment is generally due at the end of the guest stay at the accommodation.

Pub Partners

Drink/product sales

The group supplies tenants with a variety of products recognising the sale upon delivery to the pub. At this point the tenant is solely responsible for stock management and no refunds are given for out of date products, passing all risks and rewards of ownership to the tenant.

The tenancy agreement may also include volume incentives in the form of retros, which are deemed to be related transactions and therefore the cost of retro is recognised simultaneously, provided that the cost can be measured reliably. The net of the proceeds from sale and the expected retro is disclosed as revenue. The accrued value for rebates payable is included within other payables.

Rental income

The group recognises rental income on a straight-line basis over the term of the lease, as the performance obligation is satisfied over time, based on the contractual terms of the lease agreement.

Machine income

Machine income is recognised, in the group's capacity as agent, where net takings are recognised as earned on the group's proportion of machine proceeds in the period of sale.

Brewing & Brands

Brewing & Brands drink revenue is recognised upon delivery date, net of VAT and duty and discounts applied. Export revenue is recognised on export sales based on the invoice date. Products are shipped on a 'free on board' basis, with risk and rewards of ownership being transferred, and performance obligation satisfied, from the group upon shipment rather than the receipt by the customer. The export revenue is immaterial to the group therefore no information about geographical regions has been provided as the group's activities are predominantly domestic.

Supplier rebates

Supplier rebates are included within operating profit as they are earned as there is no significant uncertainty. The accrued value at the reporting date is included within other receivables.

Government Grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the group will comply with all attached conditions. Amounts received are recognised net within the income statement as income or a reduction to expenses. Grant accounting has been applied for the Eat Out to Help Out scheme (2021 only) (note 3), Business rates (note 4) and the Job Retention Scheme (note 6) launched as part of HM Government's response to the COVID-19 pandemic. The group has also taken advantage of government assistance in the form of both business rates (note 4) and tax deferrals.

Leases

Group as lessee

For any new contracts entered into, the group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration'. To apply this definition, the group assesses whether the contract meets all of the following criteria:

- the contract contains an identified asset, which is either explicitly identified in the contact or implicitly specified by being identified at the time the asset is made available to the group

- the group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract

- the group has the right to direct the use of the identified asset throughout the period of use. The group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between repayment of the lease liability and finance cost. The finance cost is charged to the income statement over the lease term to produce a constant periodic rate of interest on the outstanding lease liability balance. The right-of-use asset is depreciated over the shorter of the asset's expected useful life and the lease term on a straight-line basis unless the lease is expected to transfer ownership of the underlying asset to the group in which case the asset is depreciated to the end of the useful life of the asset.

The lease liability is initially measured as the present value of future lease payments, discounted using the interest rate implicit in the lease. Where this rate is not determinable, the incremental borrowing rate is used, which is the interest rate the entity would have to pay to borrow the amount necessary to obtain an asset of similar value, in a similar economic environment with similar terms and conditions.

The right-of-use asset is initially measured at cost, comprising the initial value of the lease liability, any lease payments made (net of any incentives received from the lessor) before the commencement of the lease, any initial direct costs and any restoration costs.

For changes to existing contracts such as fair market rent reviews or other modifications, a remeasurement is recorded in both right-of-use asset and lease liability based upon the net present value of the incremental change of cashflows discounted at the IBR.

Right of use assets ("ROUA") are measured at either:

- their carrying amount as if IFRS 16 had been applied since the lease commencement date, discounted by the group's incremental borrowing rate as at 29 April 2019. The group has applied this methodology to the majority of its property leases where sufficient historical information has been available to facilitate this.

- An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. This has been applied to a small number of property leases where it was not possible to ascertain sufficient historical data to enable a retrospective calculation. This method has also been applied to the group's other assets.

Each right-of-use asset is depreciated over the shorter of its useful life and the lease term on a straight-line basis unless the lease is expected to transfer ownership of the underlying asset to the group in which case the asset is depreciated to the end of the useful life of the asset.

Payments in respect of leases of either short-term, low-value or based on variable rental payments continue to be charged to the income statement on a straight-line basis over the lease term.

COVID-19-related rent concessions

The group has applied COVID-19-Related Rent Concessions – Amendment to IFRS 16. The group applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The group applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the group chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the group assesses whether there is a lease modification.

Group as lessor

Leases in which the group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases for which the group is a lessor are classified as operating leases.

Merger reserve

The merger reserve represents capital contributions received and amounts recognised on the acquisition of Spirit Pub Company Limited being the difference between the value of the consideration and the nominal value of the shares issued as consideration.

Taxes

Income tax

The income tax charge comprises both the income tax payable based on profits for the year and the deferred income tax. It is calculated using taxation rates enacted or substantively enacted by the balance sheet date and is measured at the amount expected to be recovered from or paid to the taxation authorities.

Income tax relating to items recognised in OCI and equity are recognised in OCI and equity respectively.

Deferred tax

Deferred tax is provided for using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying values in the financial statements.

Deferred tax is recognised for all temporary differences except where the deferred tax arises from the initial recognition of goodwill (for taxable temporary differences) or of an asset or liability in a transaction that is not a business combination that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss or, 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.

Deferred tax assets are recognised for all deductible temporary differences and carry forward of unused tax losses only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured, on an undiscounted basis, at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to offset income tax assets and income tax liabilities and they relate to the same taxable entity and same tax authority and when it is the intention to settle the balances on a net basis.

Deferred tax relating to items recognised in OCI and equity are recognised in OCI and equity respectively.

Uncertain tax positions

A current tax provision is recognised when the group has a present obligation as a result of a past event and it is probable that the group will be required to settle that obligation. Tax benefits are not recognised unless it is probable that the benefit will be obtained, and tax provisions are made if it is probable that a liability will arise. The group reviews its uncertain tax positions each year in order to determine the appropriate accounting treatment.

Adjusting items and adjusted profitability measures

Management uses a range of measures to monitor and assess the group's financial performance. These measures include a combination of statutory measures calculated in accordance with IFRS and alternative performance measures (APMs). In the prior period, the adjusted measures were classified as exceptional and non-underlying items, however in the current period, these measures have been reassessed and combined to be shown as adjusting items. The income statement includes the following adjusted measures of profitability:

- Adjusted operating profit/loss;
- Adjusted finance costs and;
- Adjusted tax.

Management believes that APMs provide useful additional information about the group's performance.

These measures represent the equivalent IFRS measures but are adjusted to exclude items that management considers would prevent comparison of the group's performance both from one reporting period to another and with other similar businesses. Adjusting items are not defined under IFRS. Adjusting items are classified as those which are separately identifiable by virtue of their size, nature or expected frequency and therefore warrant separate presentation or allow a better understanding of the underlying performance of the business. Presentation of these measures are not intended to be a substitute for or intended to promote them above statutory measures.

The group's income statement provides a reconciliation of the adjusted profitability measures, excluding adjusting items to the equivalent unadjusted IFRS measures. Adjusting items are then further detailed in note 5 to the financial statements.

Items that are considered to be adjusting and that are therefore separately identified in order to aid comparability may include the following:

- profits or losses resulting from the disposal of a business or investment;

- costs incurred in association with business combinations, such as legal and professional fees and stamp duty, that are excluded from the fair value of the consideration of the business combination;

- one-off restructuring and integration costs that are incurred either following a business combination or following a restructuring of the group's support functions. These costs can be significant and would prevent year-on-year comparability of the group's trading if not separately identified;

- impairment charges/reversals in respect of tangible and intangible assets as a result of restructuring, business closure, underperformance of sites or fire damage;

- one-off past services charges in relation to guaranteed minimum pension benefits;

- finance costs or income resulting from gains or losses upon the settlement of interest rate swap and bond liabilities and from cumulative gains or losses recycled in full to the income statement where the swaps have been terminated. These amounts may be significant and are separately identified as the instruments they relate to would no longer form part of the group's ongoing capital structure;

- fair value gains and losses on the ineffective element of cash flow hedges and fair value movements in respect of derivatives held at fair value through profit and loss. Such items are separately presented as movements may be both significant and volatile;

- significant and/or one-off tax settlements in respect of prior years (including any related interest), and the tax impact of the items identified above and movements on the licensed estate are included as adjusting items. These items are separately identified to allow management and investors to separately understand tax charges relating to in-year ongoing activity and what relates to prior years;

- one-off costs relating to the outbreak of a pandemic, to include the costs of write off of obsolete stock, increase in the expected credit loss of trade debtors and free trade loans, and other costs directly attributable to either the closure of pubs during the outbreak period or preparing the sites for reopening;

- employee costs and other legal and professional fees incurred in relation to restructuring cost associated with changes to management, group refinancing activities and defending uncertain tax positions

- profit or loss on the disposal of property, plant and equipment, where the group disposes of properties that it no longer considers meet the ongoing needs of the business. These profits or losses could be significant and volatile and are not reflective of the group's ongoing trading results;

- gains or losses resulting from the settlement of liabilities in respect of the group's pension schemes;

- insurance compensation received to meet the costs of restoring sites damaged by fire. Such compensation may be receivable over a lengthy time period and be of a large total amount;

- finance costs or income for the recycling to the income statement of cumulative gains or losses relating to settled swaps previously taken to the hedging reserve where the recycling occurs over the same period during which the hedged forecast cash flows affect profit or loss;

- the impact of changes in the statutory tax rates;

- the impact of changes to the tax base cost of group's licensed estate and indexation; and

- other adjustments in respect of prior years' tax arising from finalising the tax returns for earlier years and rolled over gains on the licensed estate.

Changes to reportable segments

Following changes to the structure of the group's internal organisation and subsequent changes to the way financial and management information is presented to the board and the executive team, the composition of the group's reportable segments changed for the period ended 2 January 2022.

The activities of the Managed Division are now managed in three distinct units with a more focused approach. As a result of these changes, activities are now reported under three new segments Premium, Urban and Venture, Local Pubs and Destination Food Brands. In addition adjusting items, which have previously been reported in total, have been allocated to each business segment.

The segment disclosure note for the year ended 3 January 2021 has been amended as follows:

	Managed Division	**Premium, Urban and Venture**	**Local Pubs**	**Destination Food Brands**
	As reported		**Restated**	
36 weeks ended 3 January 2021	**£m**	**£m**	**£m**	**£m**
Revenue	448.2	83.7	131.8	232.7
Analysed as:				
Goods				
– Drink	225.5	57.9	82.7	84.9
– Food	207.2	24.7	46.5	136.0
	432.7	82.6	129.2	220.9
Services				
- Other services	15.5	1.1	2.6	11.8
	15.5	1.1	2.6	11.8
Adjusted EBITDA	**(72.5)**	**(18.0)**	**(27.4)**	**(27.1)**
Adjusted operating loss	**(158.6)**	**(42.0)**	**(54.3)**	**(62.3)**
Adjusting items [1]	-	3.9	3.7	9.6
Lease interest	(24.3)	(8.8)	(10.5)	(5.0)
Net finance costs	-	-	-	-
Income tax charge	-	-	-	-
Segment loss for the period	**(182.9)**	**(46.9)**	**(61.1)**	**(57.7)**
Balance sheet				
Segment assets	4,204.7	1,420.6	1,575.9	1,208.2
Unallocated assets	-	-	-	-
Total assets	4,204.7	1,420.6	1,575.9	1,208.2
Segment liabilities	(748.7)	(275.7)	(197.3)	(275.7)
Unallocated liabilities	-	-	-	-
Total liabilities	(748.7)	(275.7)	(197.3)	(275.7)
Net assets	**3,456.0**	**1,144.9**	**1,378.6**	**932.5**
Other segment information:				
Capital expenditure (including ROUA)	199.3	83.2	58.4	57.7
Depreciation and amortisation	(86.1)	(24.0)	(26.9)	(35.2)

1. Adjusting items have been split per segment in 2022, the comparatives have been presented with their allocation of adjusting items.

3 SEGMENT INFORMATION

The group has five reportable segments which are based on the information presented to the chief executive, who is considered to be the chief operating decision maker. No aggregation of segments has been performed.

The five segments are largely organised and managed separately according to the nature of products and services provided, distribution channels and profile of customers. The segments include the following businesses:

Premium, Urban and Venture: Premium and urban managed pubs

Local Pubs: Wet-led managed pubs

Destination Food Brands: Food-led managed pubs

Pub Partners: Leased, tenanted and franchised pubs

Brewing & Brands: Brewing, marketing and selling beer

Brewing & Brands revenue disclosed is solely in relation to third parties.

	Premium, Urban and Venture	Local Pubs	Destination Food Brands	Pub Partners	Brewing & Brands	Corporate	Total operations
52 weeks ended 2 January 2022	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Revenue	235.8	315.9	527.1	109.6	153.2	-	1,341.6
Analysed as:							
Goods							
– Drink	172.0	204.4	195.5	77.6	153.2	-	802.7
– Food	60.5	103.0	295.3	-	-	-	458.8
	232.5	307.4	490.8	77.6	153.2	-	1,261.5
Services							
– Other services[1]	3.3	8.5	36.3	32.0	-	-	80.1
	3.3	8.5	36.3	32.0	-	-	80.1
Adjusted EBITDA[2]	**38.3**	**32.8**	**67.4**	**46.7**	**11.1**	**(40.0)**	**156.3**
Adjusted operating profit/(loss)	**6.8**	**2.6**	**20.9**	**35.1**	**0.9**	**(47.7)**	**18.6**
Adjusting operating items[4]	(0.6)	3.3	3.5	10.4	(0.7)	29.3	45.2
Lease interest	(9.5)	(5.9)	(4.3)	(1.0)	(1.0)	(1.1)	(22.8)
Net finance costs	-	-	-	-	-	-	(111.4)
Income tax charge	-	-	-	-	-	-	38.6
Segment (loss)/profit for the period[5]	**(3.3)**	**-**	**20.1**	**44.5**	**(0.8)**	**(19.5)**	**(31.8)**
Balance sheet							
Segment assets	1,428.6	1,185.4	1,568.6	883.3	180.5	145.8	5,392.2
Unallocated assets[3]	-	-	-	-	-	-	240.7
Total assets	1,428.6	1,185.4	1,568.6	883.3	180.5	145.8	5,632.9
Segment liabilities	(272.5)	(217.3)	(192.7)	(38.0)	(57.4)	(176.6)	(954.5)
Unallocated liabilities[3]	-	-	-	-	-	-	(3,233.9)
Total liabilities	(272.5)	(217.3)	(192.7)	(38.0)	(57.4)	(176.6)	(4,188.4)
Net assets/(liabilities)	**1,156.1**	**968.1**	**1,375.9**	**845.3**	**123.1**	**(30.8)**	**1,444.5**
Other information:							
Capital expenditure (including ROUA)	47.9	47.9	52.1	8.8	6.5	4.1	167.3
Depreciation and amortisation	(31.5)	(30.2)	(46.5)	(11.6)	(10.2)	(7.7)	(137.7)

36 weeks ended 3 January 2021	Premium, Urban and Venture £m Restated	Local Pubs £m Restated	Destination Food Brands £m Restated	Pub Partners £m	Brewing & Brands £m	Corporate £m	Total operations £m
Revenue	83.7	131.8	232.7	40.8	73.1	-	562.1
Analysed as:							
Goods							
– Drink	57.9	82.7	84.9	30.4	73.1	-	329.0
– Food	24.7	46.5	136.0	-	-	-	207.2
	82.6	129.2	220.9	30.4	73.1	-	536.2
Services							
– Other services[1]	1.1	2.6	11.8	10.4	-	-	25.9
	1.1	2.6	11.8	10.4	-	-	25.9
Adjusted EBITDA[2]	**(18.0)**	**(27.4)**	**(27.1)**	**10.4**	**(10.8)**	**(4.6)**	**(77.5)**
Adjusted operating (loss)/profit	**(42.0)**	**(54.3)**	**(62.3)**	**0.9**	**(18.1)**	**(10.0)**	**(185.8)**
Adjusting operating items[4]	3.9	3.7	9.6	3.6	12.2	3.5	36.5
Lease interest	(8.8)	(10.5)	(5.0)	(3.6)	(0.8)	(1.3)	(30.0)
Net finance costs	-	-	-	-	-	-	(69.3)
Income tax charge	-	-	-	-	-	-	(20.8)
Segment (loss)/profit for the period[5]	**(46.9)**	**(61.1)**	**(57.7)**	**0.9**	**(6.7)**	**(7.8)**	**(269.4)**
Balance sheet							
Segment assets	1,420.6	1,575.9	1,208.2	871.5	171.9	101.4	5,349.5
Unallocated assets[3]	-	-	-	-	-	-	193.8
Total assets	1,420.6	1,575.9	1,208.2	871.5	171.9	101.4	5,543.3
Segment liabilities	(275.7)	(197.3)	(275.7)	(41.0)	(51.8)	(123.5)	(965.0)
Unallocated liabilities[3]	-	-	-	-	-	-	(3,215.1)
Total liabilities	(275.7)	(197.3)	(275.7)	(41.0)	(51.8)	(123.5)	(4,180.1)
Net assets/(liabilities)	**1,144.9**	**1,378.6**	**932.5**	**830.5**	**120.1**	**(22.1)**	**1,363.2**
Other information:							
Capital expenditure (including ROUA)	83.2	58.4	57.7	29.1	2.1	3.1	233.6
Depreciation and amortisation	(24.0)	(26.9)	(35.2)	(9.5)	(7.3)	(5.4)	(108.3)

1. Other services include accommodation, rental and machine income.
2. EBITDA represents earnings before interest, tax, depreciation, amortisation and adjusting items and is reconciled on the cash flow statement.
3. Unallocated assets/liabilities comprise cash, borrowings, pensions, net deferred tax, net current tax, derivatives and indirect tax provision
4. Adjusting operating items have been allocated between the operating segments, see note 2 for further details.
5. Segment (loss)/profit represents operating (loss)/profit after lease interest.

Revenue from services includes rent receivable from licensed properties of £30.1m (2021: £9.6m).

In the prior period, the group received £23.0m cash contribution as part of the government "Eat Out to Help Out" scheme during August 2020. Grants for business rates of hospitality properties totalling £10.3m (2021: £0.7m) were also received in the period.

Management reporting and controlling systems

Management monitors the operating results of its strategic business units separately for the purpose of making decisions about allocating resources and assessing performance. Segment performance is measured based on segment operating profit or loss referred to as trading profit in the group's management and reporting systems. Included within the corporate column in the table above are functions managed by a central division.

No information about geographical regions has been provided as the group's activities are predominantly domestic.

4 OPERATING COSTS

Operating profit is stated after charging/(crediting):

	52 weeks ended 2 January 2022			36 weeks ended 3 January 2021		
	Before adjusting items	**Adjusting items**	**Total**	Before adjusting items	Adjusting items	Total
	£m	**£m**	**£m**	£m	£m	£m
Cost of products sold recognised as an expense	**414.2**	**-**	**414.2**	190.4	-	190.4
Employment costs (Net of furlough income) (note 6)	**473.6**	**0.3**	**473.9**	292.3	3.9	296.2
Depreciation of property, plant and equipment (note 11)	**98.0**	**-**	**98.0**	72.1	-	72.1
Depreciation of right-of-use assets (note 19)	**38.9**	**-**	**38.9**	35.6	-	35.6
Amortisation (note 10)	**0.8**	**-**	**0.8**	0.6	-	0.6
Net lease (income)/expense	**(1.3)**	**-**	**(1.3)**	0.4	-	0.4
Other operating charges	**298.8**	**(42.2)**	**256.6**	156.5	(42.0)	114.5
Net profit on disposal (note 5)	**-**	**(3.3)**	**(3.3)**	-	1.6	1.6
	1,323.0	**(45.2)**	**1,277.8**	747.9	(36.5)	711.4

As a result of the COVID-19 Pandemic, on 2 April 2020, the Government instructed all Local Authorities to provide full business rates relief for all properties in Retail, Leisure and Hospitality. This has resulted in a saving of £49.3m within other operating charges (2021: £55.2m).

Fees earned by the auditor during the year consisted of:	**52 weeks ended 2 January 2022**	36 weeks ended 3 January 2021
	£m	£m
Audit of the consolidated financial statements	**0.1**	0.1
Audit of subsidiaries	**0.9**	0.7
Included in other operating charges	**1.0**	0.8

The split of fees payable to auditors has been restated to reflect the split between audit of consolidated financial statements and subsidiaries.

5 ADJUSTING ITEMS

The group has reassessed the presentation for exceptional and non-underlying items in the current period and combined these to be reported as 'adjusting items'. In addition, property provisions which were previously disclosed as an adjusted item are now no longer included as adjusting. The below table has been reformatted on this basis to align to the new policy but the prior period has not been restated for property provisions as this is not material (see note 2).

Fees earned by the auditor during the year consisted of:	**52 weeks ended 2 January 2022 £m**	36 weeks ended 3 January 2021 £m
Included in operating profit		
Acquisition and Integration costs	**(0.3)**	(3.5)
Employee costs, restructuring charges, and other legal and professional fees	**(0.6)**	(0.3)
COVID-19 related credits	**5.4**	8.7
Net impairment reversal of property, plant and equipment (note 11) right-of-use assets (note 19) and financial assets (note 12)	**8.2**	30.1
Income from Indirect Tax claims	**29.2**	7.0
Net increase in property provisions (note 22)	**-**	(3.2)
Net profit/(loss) on disposal of property, plant and equipment and goodwill	**3.3**	(1.6)
Defined benefit obligations	**-**	(0.7)
Total adjusting items included in operating profit	**45.2**	36.5
Included in financing costs		
Amounts recycled from hedging reserve in respect of settled interest rate liabilities	**(7.3)**	(5.6)
Interest on Indirect Tax claims	**4.2**	-
Fair value movements of derivatives held at fair value through profit and loss	**1.3**	-
Total adjusting financing costs	**(1.8)**	(5.6)
Total adjusting items before tax	**43.4**	30.9
Tax impact of adjusting items	**(30.3)**	(65.3)
Tax charge in respect of rate change	**18.0**	-
Adjustment in respect of prior periods	**(4.6)**	(9.3)
Total adjusting tax	**(16.9)**	(74.6)
Total adjusting items after tax	**26.5**	(43.7)

Adjusting operating costs

Following acquisition by CK Asset Holdings Limited incremental costs of £0.3m (36 weeks ended 3 January 2021: £3.5m) were incurred for the longer-term retention scheme offered to management.

During the period the group incurred £0.6m (36 weeks ended 3 January 2021: £0.3m) of employee costs, restructuring charges and other legal and professional fees.

The group has recognised a credit of £5.4m (36 weeks ended 3 January 2021: £8.7m credit) which is attributable to the COVID-19 outbreak and the subsequent decision by the UK government for a third national lockdown on 6th January 2021. Pubs were not able to open until 12th April 2021, outdoor service only, and then on 17th May 2021 for indoor service. As a result, these net credits include £0.9m (36 weeks ended 3 January 2021: £5.1m) for the write off or increase in provisions held for obsolete stock (note 14), a decrease in the required provisioning for trade debtors of £3.3m (36 weeks ended 3 January 2021: £12.8m increase) and £1.7m (36 weeks ended 3 January 2021: £6.5m decrease) for free trade loans (note 21) due to improvements in customers risk profile. The group also incurred £0.8m of direct costs relating to reopening pubs in 2021 (36 weeks ended 3 January 2021: £8.9m), these include the further costs of collection of kegs and barrels in pub cellars. The group also recognised lease concessions (net of fees) totalling £2.9m (36 weeks ended 3 January 2021: £3.4m) from landlords that qualified under the COVID-19-Related Rent Concessions – Amendment to IFRS 16.

In addition, as a result of the COVID-19 outbreak and the consequential impact on its trading ability, the group obtained a waiver from its lenders in respect of the Greene King securitisation, primarily in respect of covenants. The total cost of obtaining these waivers was £0.8m (36 weeks ended 3 January 2021: £nil).

During the period to 2 January 2022 the group has recognised a net impairment reversal of £8.2m (36 weeks ended 3 January 2021: £30.1m reversal), £8.2m reversal (2021: £30.4m reversal) in relation to property, plant and equipment and right-of-use assets and £nil (36 weeks ended 3 January 2021: £0.3m) charge on other financial assets.

The impairment charge relating to properties (property, plant and equipment and right-of-use assets) comprises a gross charge of £23.2m (36 weeks ended 3 January 2021: £26.3m) offset by a reversal of previously recognised impairment losses of £31.4m (36 weeks ended 3 January 2021: £56.7m). Of the £8.2m net impairment reversal, £9.2m reversal was recognised to reflect updated trading assumptions, market valuation review conducted at year-end, change in asset use and the continued uncertainty of COVID-19 (see notes 11 and 19 for further details). A £1.0m charge has been recognised due to flood damage.

In the current period, the group has recognised income of £29.2m (36 weeks ended 3 January 2021: £7.0m) in respect of Indirect tax claims. This comprises of credits due from HMRC in relation to VAT on gaming machine income, following HMRC's decision not to further appeal the decision of the First Tier Tribunal in August 2021.

A charge of £3.2m was recognised in the prior period to increase the property provisions relating to dilapidations and assigned lease contracts. Following the change in accounting policy in the current period from exceptional and non-underlying items to adjusting items, property provisions are not presented as adjusting items in the current period. The comparative has not been restated. See note 22 for further details.

The net gain on disposal of property, plant and equipment and goodwill of £3.3m (36 weeks ended 3 January 2021: £1.6m loss) comprises a total profit on disposal of £6.7m (36 weeks ended 3 January 2021: £6.3m) and a total loss on disposal of £3.4m (36 weeks ended 3 January 2021: £7.9m).

In October 2018, the High Court ruled on the Lloyds Bank GMP inequality case, in response to this an allowance of £4.8m was included within the group's 2019 accounts. On 20 November 2020, the High Court handed down a further judgement stating that pension schemes should pay uplifts in respect of members who had transferred benefits out in the past (back to 1990), where those benefits were not equalised in line with the 2019 judgement. An additional liability of £0.7m in respect to the above benefits transferred has been recognised as a past service cost in the prior year.

Adjusting finance costs

In previous periods, the group settled a number of its swap liabilities that were hedging cash flows relating to the Greene King securitisation A5 bond and floating rate bank loans. In accordance with IFRS 9, to the extent that these cash flows are still expected to occur the cumulative losses taken to the hedging reserve are recycled to the income statement over the same period during which the hedged forecast cash flows affect profit or loss. An adjusting charge of £7.3m (36 weeks ended 3 January 2021: £5.6m) has been recognised in respect of this during the year.

In the current period the group recognised interest income of £4.2m (36 weeks ended 3 January 2021: £nil) in relation to the VAT claims. At the reporting date, £1.2m has been recovered from HRMC.

The group holds one swap which was acquired as part of business combination and which has been subsequently been accounted for at fair value through profit and loss as it was deemed at acquisition not to qualify for hedge accounting. Adjusting cost of £1.3m (36 weeks ended 3 January 2021: £nil) relates to the mark-to-market movements on the derivative, excluding amortisation on the fair value adjustment at acquisition, which reduces the pre-adjusting finance costs that include interest paid (note 21). Mark-to-market movement is considered to be adjusting owing to its volatility and is shown separately to ensure pre-adjusting finance costs are more readily comparable each year. Fair value amortisation is deemed to be a pre-adjusting item as it adjusts swap interest to a market rate.

Adjusting tax

The adjusting tax charge of £30.3m is driven mainly by adjustment to three deferred tax balances: the deferred tax recognised on other temporary differences, on trading losses, and on property, plant and equipment (being driven by accelerated capital allowances, capital losses and unrealised gains).

- Within other temporary differences, an adjusting credit of £37.2m has been recognised as a result of increasing the recognised deferred tax asset arising on corporate interest restriction, based on the expectation of sufficient taxable profits in future periods (the application of IAS 12.29). Offsetting this is a £1.0m charge for the impact of decrease to the provisioning required for trade debtors and free trade loans.
  The adjustment to trade losses is driven by the impact of the recognised income in respect of Indirect tax claims (£6.3m), offset by the credit arising on the hedging recycled to the income statement explained above (£1.4m).
- An adjusting charge of £0.9m (36 weeks ended 3 January 2021: £3.2m charge) is in respect of movements on the deferred tax on the licensed estate. This is the result of adjusting accounting adjustments, such as the loss on disposal, impairment and other movements in the tax base including rolled over gains adjustments.

In the prior period, an adjusting tax charge of £65.3m included the following key items:

- £28.3m was recognised in relation to a reduction of the deferred tax asset on the capital losses recognised against the deferred tax liability on the licensed estate. The partial de-recognition related to a one-off change in UK Corporation Tax legislation on the utilisation of capital losses.
- £35.4m was recognised as the deferred tax impact to the IFRS 16 temporary differences, largely driven by the acquisition of the freehold reversion and subsequent transfer of the IFRS 16 right-of-use assets and lease liability.
- an adjusting tax credit of £1.6m was recognised relating to the deferred tax asset on losses generated by the other accounting operating and financing adjusting items.

A charge of £18.0m has been recognised in relation to restating the net deferred tax liability at the 25% tax rate.

The prior period adjustment of £4.5m tax charge included the following key items:

- A tax credit of £4.1m to remove the uncertain tax provision, following HMRC's decision not to appeal the First Tier Tribunal's decision in favour of the taxpayer relating to deferred revenue expenditure claims.
- Other current tax adjustments in respect of prior periods relates to corrections required to tax returns for earlier periods. This includes a £22.3m credit to the Corporation Tax Receivable and a £6.4m receivable due from other subsidiaries of CK Asset Holdings Limited.
- The adjustment in respect of prior periods relating to deferred tax is mainly driven by a £19.3m charge to increase the deferred tax liability on Property, Plant and Equipment in addition to a charge of £16.4m to reduce the deferred tax asset on Trading losses.
- Offsetting this is a credit of £5.0m to increase the deferred tax asset on Other temporary differences and £2.4m in respect of IFRS 16 Leases.

6 EMPLOYMENT COSTS

Employment costs (Including directors) comprise:

	52 weeks ended 2 January 2022	36 weeks ended 3 January 2021
	Total £m	Total £m
Wages and salaries (Net of furlough income)	**421.8**	265.2
Social security costs	**39.3**	22.4
Other pension costs (note 8)		
- Defined contribution	**12.8**	7.9
- Defined benefit – Past Service costs	**-**	0.7
	473.9	296.2

Wages and salaries have been shown net of government subsidies of £141.0m (36 weeks ended 3 January 2021: £136.0m) in relation to staff members who were furloughed as a result of COVID-19.

Key management personnel

Key management personnel are deemed to be those employees who are directors of Greene King Limited or its subsidiaries, and the senior leadership team of the group.

Remuneration of key management personnel	**52 weeks ended 2 January 2022**	36 weeks ended 3 January 2021
	£m	£m
Short term employment benefits	**5.5**	2.2
Post-employment pension and medical benefits	**0.8**	0.4
Included in other operating charges	**6.3**	2.6

Included in the key management personnel table above are amounts receivable by directors of Greene King Limited, these amounts have been separately disclosed as directors' remuneration in the table below.

Directors' Remuneration	**52 weeks ended 2 January 2022**	36 weeks ended 3 January 2021
	£m	£m
Short term employment benefits	**1.4**	0.6
Post-employment pension and medical benefits	**0.2**	0.1
Included in other operating charges	**1.6**	0.7

Highest Paid Director	**52 weeks ended 2 January 2022**	36 weeks ended 3 January 2021
	£m	£m
Aggregate renumeration and benefits (excluding gains on exercise of share options and value of shares received) under long-term incentive schemes	**0.9**	0.4

Director and key management personnel remuneration excludes amounts paid by CK Noble UK Limited as a retention bonus following the acquisition of the group by CKA in October 2019. See further details in note 28.

The average number of team members during the period was as follows:

	52 weeks ended 2 January 2022	36 weeks ended 3 January 2021 restated
Premium, Urban and Venture	**6,117**	6,610
Local Pubs	**11,535**	12,339
Destination Food Brands	**19,794**	20,769
Pub Partners	**81**	78
Brewing & Brands	**794**	787
Corporate	**703**	741
	39,024	41,324

The figures above include 27,250 (2021: 29,132) part-time team members.

The above has been restated to reflect the split of the Managed division into 3 new reporting segments in 2021 (see note 2).

7 FINANCE (COSTS) / INCOME

	52 weeks ended 2 January 2022	36 weeks ended 3 January 2021
	£m	£m
Bank loans and overdrafts	**(2.7)**	(2.1)
Commercial paper	**(0.2)**	(0.5)
Secured bonds and associated interest rate swaps, liquidity facilities and fees	**(73.2)**	(51.6)
Loans from related parties	**(34.1)**	(9.9)
Amounts recycled from hedging reserve in respect of settled interest rate liabilities	**(7.3)**	(5.6)
Interest in respect of tax positions and adjustments	**(0.1)**	(0.3)
Interest and finance costs on lease liabilities (note 19)	**(22.8)**	(30.0)
Total finance costs	**(140.4)**	(100.0)
Fair value movements of derivatives held at fair value through profit and loss	**1.3**	-
Net finance income from pensions (note 8)	**0.7**	0.6
Interest income in respect of tax positions and adjustments	**-**	0.1
Interest on indirect tax claims (note 5)	**4.2**	-
Total finance income	**6.2**	0.7
Net finance costs	**(134.2)**	(99.3)

8 PENSIONS

Defined contribution pension schemes

The group maintains two defined contribution schemes which are open to all new team members.

Member funds for the defined contribution schemes are held and administered by the Friends Life Group. The total cost recognised in operating profit for the year was £12.8m (36 weeks ended 3 January 2021: £7.9m).

Defined benefit pension schemes and post-employment benefits

The group maintains two defined benefit schemes: the Greene King Pension Scheme and the Spirit (Legacy) Pension Scheme which are closed to new entrants and are closed to future accrual. Only administrative costs and deficit recovery contributions are incurred going forward. Member funds for the defined benefit schemes are held in separate funds independently of the group's finances and are administered by pension trustees. Pension benefits are related to members' final salary at the earlier of retirement or closure to future accrual and their length of service.

Greene King Pension Scheme

The Trustees are required to carry out an actuarial valuation every three years. The result of this valuation determines the level of contributions payable by the group. The last triennial valuation of the Greene King Pension Scheme was performed by the Scheme actuary for the trustees as at 5 April 2018. The valuation as at 5 April 2018 revealed a funding shortfall of £25.3m. The recovery plan shows annual employer contributions of £4.5m per annum for a period of 3 years and 9 months from 1 April 2019. The next triennial actuarial valuation of the Greene King Pension Scheme will be as at 5 April 2021. The triennial valuation is ongoing and is on track to meet the regulatory deadline of 5 July 2022, at which point the recovery plan will be reassessed.

The scheme was closed to future accruals on 30 September 2012. The group's contributions over the year were £4.5m (36 weeks ended 3 January 2021: £3.0m).

An actuarial valuation was carried out for IAS 19 purposes as at 2 January 2022 by a qualified independent actuary.

Spirit (Legacy) Pension Scheme

The Trustees are required to carry out an actuarial valuation every three years. The result of this valuation determines the level of contributions payable by the group. The last triennial valuation of the Spirit (Legacy)Pension Scheme was performed by the Scheme actuary for the trustees as at 30 June 2018. The valuation as at 30 June 2018 revealed a funding surplus of £0.2m and that no recovery plan is required. The next triennial actuarial valuation of the Spirit (Legacy) Pension Scheme will be as at 30 June 2021**.** The triennial valuation is ongoing and is on track to meet the regulatory deadline of 30 September 2022, at which point the position will be reassessed.

The scheme was closed to future accruals on 6 April 2005. The group's contributions over the period were £nil (36 weeks ended 3 January 2021: £nil).

An actuarial valuation was carried out for IAS 19 purposes as at 2 January 2022 by a qualified independent actuary.

The pension schemes are exposed to inflation and interest rate risks, as well as changes in the life expectancy for pensioners. As the schemes' assets include investments in quoted equity shares, the group is also exposed to equity market risk. The majority of the bonds held by the schemes relate to UK government and corporate bonds, plus liability driven investment (LDI) instruments.

Income Statement

	Pension schemes					
	2 January 2022			3 January 2021		
	Greene King £m	**Spirit £m**	**Total £m**	Greene King £m	Spirit £m	Total £m
Administrative Costs	**-**	**-**	**-**	(0.2)	(0.5)	(0.7)
Total recognised in operating profit	**-**	**-**	**-**	(0.2)	(0.5)	(0.7)
Interest on pension scheme assets	**5.6**	**8.1**	**13.7**	4.4	6.3	10.7
Interest on scheme liabilities	**(5.6)**	**(7.4)**	**(13.0)**	(4.4)	(5.7)	(10.1)
Net interest on net defined benefit asset	**-**	**0.7**	**0.7**	-	0.6	0.6

In October 2018, the High Court ruled on the Lloyds Bank GMP inequality case, in response to this an allowance of £4.8m was included within the group's 2019 accounts. On 20 November 2020, the High Court handed down a further judgement stating that pension schemes should pay uplifts in respect of members who had transferred benefits out in the past (back to 1990), where those benefits were not equalised in line with the 2019 judgement. An additional liability of £nil (36 weeks ended 3 January 2021: £0.7m) in respect to the above benefits transferred has been recognised as a past service cost.

The values of the schemes' liabilities have been determined by a qualified actuary based on the results of the last actuarial valuation, updated to 2 January 2022 using the following principal actuarial assumptions:

	2 January 2022		3 January 2021	
	Greene King	**Spirit**	Greene King	Spirit
Discount rate	**1.9%**	**1.9%**	1.4%	1.4%
Expected pension payment increases	**3.1%**	**3.1%**	2.9%	2.9%
Rate of inflation (RPI)	**3.3%**	**3.3%**	2.9%	2.9%
Rate of inflation (CPI)	**2.6%**	**2.6%**	2.1%	2.1%
The mortality assumptions imply the following expectations of years of life from age 65:				
Man currently aged 40	**23.4**	**21.7**	23.4	23.4
Woman currently aged 40	**25.6**	**25.1**	25.5	25.5
Man currently aged 65	**21.6**	**19.8**	21.6	21.6
Woman currently aged 65	**23.7**	**23.1**	23.6	23.6

Mortality assumptions are based on standard tables adjusted for scheme experience and with an allowance for future improvement in life expectancy. The mortality assumptions for the Spirit scheme have been calculated independently from Greene King for 2022, they previously adopted Greene King Mortality tables.

The table below shows the investment allocation of pension assets against the related liabilities of the pension schemes:

	2 January 2022			3 January 2021		
	Greene King £m	**Spirit £m**	**Total £m**	Greene King £m	Spirit £m	Total £m
Investment quoted in active markets						
Equities	**-**	**68.5**	**68.5**	34.1	88.1	122.2
Bonds	**407.4**	**429.1**	**836.5**	398.3	412.4	810.7
Unquoted investments						
Property	**-**	**48.5**	**48.5**	-	37.6	37.6
Annuities insurance contracts	**4.1**	**35.4**	**39.5**	4.3	40.5	44.8
Cash	**3.9**	**5.7**	**9.6**	(28.3)	6.3	(22.0)
Total fair value of assets	**415.4**	**587.2**	**1,002.6**	408.4	584.9	993.3
Present value of scheme liabilities:						
Funded plans	**(386.6)**	**(479.2)**	**(865.8)**	(406.7)	(538.3)	(945.0)
Non-current asset/liability recognised	**28.8**	**108.0**	**136.8**	1.7	46.6	48.3

£360.5m (2021: £279.6m) of the bonds shown in the table above are liability-driven investments designed to match the change in value of the schemes' liabilities.

The movements in the pension schemes' assets/(liabilities) during the year are as follows:

	Pension assets		Pension liabilities		Net Pension
	Greene King	Spirit	Greene King	Spirit	asset
	£m	£m	£m	£m	£m
Post-employment assets/(liabilities) at 26 April 2020	**375.8**	**547.4**	**(374.8)**	**(496.6)**	**51.8**
Pension interest income/(costs) recognised in the income statement	4.4	6.3	(4.4)	(5.7)	0.6
Past Service Cost (note 5)	-	-	(0.2)	(0.5)	(0.7)
Benefits paid	(10.0)	(13.5)	10.0	13.5	-
Remeasurement gains/(losses) in other comprehensive income:					
Return on plan assets (excluding amounts included in net interest expenses)	35.2	44.7	-	-	79.9
Actuarial changes arising from changes in financial assumptions	-	-	(37.3)	(49.0)	(86.3)
Contributions paid	3.0	-	-	-	3.0
Post-employment assets/(liabilities) at 3 January 2021	**408.4**	**584.9**	**(406.7)**	**(538.3)**	**48.3**
Pension interest income/(costs) recognised in the income statement	5.6	8.1	(5.6)	(7.4)	0.7
Benefits paid	(13.8)	(17.4)	13.8	17.4	-
Remeasurement gains/(losses) in other comprehensive income:					
Return on plan assets (excluding amounts included in net interest expenses)	10.7	11.6	-	-	22.3
Actuarial changes arising from changes in demographic assumptions	-	-	(1.9)	29.8	27.9
Actuarial changes arising from changes in financial assumptions	-	-	13.8	19.3	33.1
Contributions paid	4.5	-	-	-	4.5
Post-employment assets/(liabilities) at 2 January 2022	**415.4**	**587.2**	**(386.6)**	**(479.2)**	**136.8**

Presented in the balance sheet as follows:

	2022	2021
	£m	£m
Post-employment assets	**136.8**	48.3

The past service cost in the prior period for the Greene King and Spirit schemes comprises a cost of £0.7m for GMP equalisation following the High Court judgement on this issue in relation to the Lloyds Banking Group's defined benefit pension schemes. See note 5 for further details.

The sensitivities regarding the principal assumptions assessed in isolation that have been used to measure the scheme liabilities are set out below:

	Decrease/(increase) in liability	
	2022	2021
	£m	£m
0.25% points increase in discount rate	**33.3**	39.0
0.25% points increase in inflation assumption	**(30.2)**	(33.0)
Additional one-year increase to life expectancy	**(36.6)**	(39.8)

The following payments, which are also the minimum funding requirements, are the expected contributions to the defined benefit plan in future years:

	2022	2021
	£m	£m
Within 1 year	**4.5**	4.5
Between 2 and 5 years	**-**	4.5
	4.5	9.0

The average duration of the defined benefit scheme's obligations at the end of the reporting year is 16 years (2021: 17 years).

9 TAXATION

Consolidated income statement	2 January 2022 Total £m	3 January 2021 Total £m
Current tax		
Adjustment in respect of prior periods	**(32.8)**	1.6
	(32.8)	1.6
Deferred tax		
Origination and reversal of temporary differences	**(52.0)**	11.5
Adjustment in respect of prior periods	**28.2**	7.7
Tax charge in respect of rate change	**18.0**	-
	(5.8)	19.2
Tax (credit)/charge in the income statement	**(38.6)**	20.8

Group statement of comprehensive income	2 January 2022 £m	3 January 2021 £m
Deferred tax		
Remeasurement gains on defined benefit pension schemes	**23.0**	(0.8)
Net loss on revaluation on cash flow hedges	**1.7**	(2.1)
Total deferred tax	**24.7**	(2.9)

Reconciliation of income tax expense for the year	2 January 2022 £m	3 January 2021 £m
The effective rate of taxation is lower (2021: higher) than the full rate of corporation tax. The differences are explained below:		
Loss before tax	**(70.4)**	(248.6)
Loss before tax multiplied by standard rate corporation tax of 19.0% (2021: 19.0%)	**(13.4)**	(47.2)
Adjusted for the effects of:		
Expenditure not allowable for tax purposes	**-**	0.6
Impact of non-deductible interest	**4.3**	-
Effect of change in tax legislation	**(1.6)**	28.3
Impact of deferred tax in respect of licensed estate	**(3.9)**	(1.0)
Impact of deferred tax movements on IFRS16	**(0.2)**	35.2
Impact of change in tax rate on deferred tax balances	**18.0**	-
Derecognition of deferred tax in respect of interest restrictions	**(37.2)**	(4.4)
Adjustment in respect of prior years – uncertain tax provision	**(4.1)**	-
Adjustment in respect of prior years – current tax	**(28.7)**	1.6
Adjustment in respect of prior years – deferred tax	**28.2**	7.7
Income tax expense reported in the income statement	**(38.6)**	20.8

Refer to note 5 for a discussion of adjusting items.

Income tax payable

The group's current tax position of £8.9m (2021: £17.6m payable) reflects the amount of tax receivable on open tax computations. In the prior year, it included expected liabilities in respect of uncertain tax positions of £4.1m which was recognised in the income statement in a prior period in respect of tax deductions claimed on capitalised revenue expenditure.

There are no income tax consequences attaching to the payment of dividends by Greene King Limited to its shareholders.

Deferred tax

The deferred tax included in the balance sheet is as follows:

Deferred tax assets	Capital losses £m	IFRS 16 £m	Derivatives £m	Accelerated capital allowances £m	Other temporary differences £m	Trading losses £m	Total £m
At 26 April 2020	**55.7**	**11.8**	**37.1**	**-**	**15.2**	**0.3**	**120.1**
Credit to equity/comprehensive income	-	-	2.1	-	-	-	2.1
(Charge) /credit to the income statement	(28.3)	-	-	14.8	13.8	28.2	28.5
Transfer to deferred tax liabilities	-	(11.8)	-	(14.0)	-	-	(25.8)
At 3 January 2021	27.4	-	39.2	0.8	29.0	28.5	**124.9**
Charge to equity/comprehensive income	-	-	(1.7)	-	-	-	(1.7)
Credit/(charge) to the income statement	15.1	-	0.2	-	60.1	(3.0)	72.4
Transfer to deferred tax liabilities				(0.8)	-	-	(0.8)
At 2 January 2022	**42.5**	**-**	**37.7**	**-**	**89.1**	**25.5**	**194.8**

Deferred tax liabilities	Post-employment assets £m	Accelerated capital allowances £m	Unrealised gains £m	IFRS 16 £m	Total £m
At 26 April 2020	(9.7)	(14.0)	(93.0)	-	(116.7)
Credit to equity/comprehensive income	0.8	-	-	-	0.8
Charge to the income statement	(0.2)	-	(3.9)	(43.6)	(47.7)
Transfer from deferred tax assets	-	14.0	-	11.8	25.8
At 3 January 2021	**(9.1)**	**-**	**(96.9)**	**(31.8)**	**(137.8)**
Charge to equity/comprehensive income	(23.0)	-	-	-	(23.0)
Credit/(charge) to the income statement	(2.1)	(36.1)	(31.2)	2.8	(66.6)
Transfer from deferred tax assets	-	0.8	-	-	0.8
At 2 January 2022	**(34.2)**	**(35.3)**	**(128.1)**	**(29.0)**	**(226.6)**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset income tax assets and income tax liabilities and when it is the intention to settle the balances on a net basis. Deferred tax assets and liabilities have therefore been offset and disclosed on the balance sheet as follows in the tables below.

	2 January 2022 £m	3 January 2021 £m
Deferred tax asset	**194.8**	124.9
Deferred tax liability	**(226.6)**	(137.8)
Net deferred tax liability	**(31.8)**	(12.9)

The deferred tax asset on other temporary differences is primarily made up of two balances relating to intercompany lease premiums and to corporate interest restriction, both of which are expected to give rise to future tax deductions.

The deferred tax liability on unrealised gains includes an uncertain tax provision of £0.5m (2021: £4.6m). This amount relates to a provisional estimate of elections to be made for rollover relief under the Taxation of Capital Gains Act 1992, which has the effect of reducing the tax base cost of the licensed estate and correspondingly increases the net unrealised gain.

Of the total deferred tax asset on losses, £37.2m (2021: £7.8m) has been recognised under IAS 12.29. Forecasts have been prepared showing that these tax losses are expected to be fully utilised in accordance with the Corporate Loss Restriction rules within the forecast period.

At 2 January 2022, the group had unused trading losses of £101.8m (2021: £150.0m) and unused capital losses of £789.2m (2021: £766.3m). A deferred tax asset of £25.5m (2021: £28.5m) has been recognised in respect of trading losses and a deferred tax asset of £42.5m (2021: £27.4m) in respect of capital losses where tax losses are expected to be utilised against future profits and gains. Current legislation allows all of the group's tax losses to be carried forward for an unlimited period.

At 2 January 2022, no deferred tax asset has been recognised on carried forward capital losses totalling £619.1m (gross). In the prior year, the group had £67.3m of excess interest restrictions which were not recognised as a deferred tax asset as the group did not expect these to unwind. As at 2 January 2022, the excess interest restriction has been recognised in full. There is no expiry date on these interest restrictions.

Factors that may affect future tax charges

Under Finance Act 2021 enacted on 10 June 2021, the Corporation Tax rate for the 12 months from 3 January 2021 remains at 19% but will increase to 25% as the planned main rate of corporation tax from 1 April 2023. The net deferred tax liability has been calculated using the rates at which each temporary difference is expected to reverse.

10 GOODWILL AND BRAND INTANGIBLES

	Brand intangibles £m	**Goodwill £m**
Cost		
At 26 April 2020	16.1	1,100.5
Disposal	-	(1.0)
At 3 January 2021 and 2 January 2022	**16.1**	**1,099.5**
Impairment and amortisation		
At 26 April 2020	7.3	194.3
Amortisation	0.6	-
At 3 January 2021	7.9	194.3
Amortisation	0.8	-
At 2 January 2022	**8.7**	**194.3**
Net book value		
At 2 January 2022	**7.4**	**905.2**
At 3 January 2021	8.2	905.2
At 26 April 2020	8.8	906.2

Brand intangibles were recognised as part of business combinations. Brand intangibles are amortised over the expected life of the asset and have a remaining useful life of 9 years and all relate to Local Pubs and Destination Food Brands Divisions.

All goodwill was recognised as part of business combinations.

Goodwill has been allocated to reporting segments, the lowest group of cash-generating units in the group at which goodwill is monitored internally, based on the extent that the benefits of acquisitions flow to that segment.

The carrying amount of goodwill is allocated as follows:

	2 January 2022 £m	3 January 2021 £m restated
Premium, Urban and Venture	**411.2**	411.2
Local Pubs	**192.8**	192.8
Destination Food Brands	**82.2**	82.2
Pub Partners	**178.4**	178.4
Brewing & Brands	**40.6**	40.6
	905.2	905.2

2021 has been restated to reflect the Managed pub division being split into 3 new reporting segments in the year (see note 2).

Goodwill disposed of in the year

	2 January 2022 £m	3 January 2021 £m restated
Local Pubs	-	0.3
Destination Food Brands	-	0.2
Pub Partners	-	0.5
	-	1.0

Goodwill impairment testing

The recoverable amount of each segment was determined on a value-in-use basis, using cash flow projections based on the latest strategy plan approved by the board, and in all cases exceeded the carrying amount.

The key assumptions used in the value-in-use calculations are forecasted cash flows, the pre-tax discount rate and a long-term growth rate used to extrapolate cash flows beyond the forecasted period:

- Forecasted cash flows have been based on the group's latest board approved five-year strategic plan;
- The discount rate has been based on the group's WACC of 6.8% (2021: 6.7%). As the risk factors are considered to be similar in each of the group's reporting segments the same discount rate is applied to all five divisions; and
- A long-term growth rate of 1.5% (2021: 1.5%) in Premium, Urban and Venture, Local Pubs and Destination Food Brands, 1.8% (2021: 1.8%) in Pub Partners and -3% (2021: -3%) in Brewing & Brands has been used. These rates are all below the long-term UK inflation of 2.3% to 4% and reflect the anticipated trends in future trading performance.

Sensitivity to changes in assumptions

The goodwill valuation is most sensitive to changes in the assumptions used for forecasted cash flows, pre-tax discount rate, and long-term growth rate. Management considers that reasonably possible changes in assumptions would be an increase in pre-tax discount rate of 0.5%, a reduction in budgeted cash flows by 5% or a deterioration in the long-term growth rate by 25%.

None of these sensitivities would result in an impairment of goodwill in the divisions other than Brewing & Brands, see below.
For Brewing & Brands these sensitivities would have the following incremental impact on goodwill impairment:

- A 25% increase in growth rate - £15.3m
- A pre-tax discount rate increase by 0.5% - £2.6m
- A 5% decline in budgeted cashflows - £5.9m

11 PROPERTY, PLANT AND EQUIPMENT

	Licensed estate		Other		
	Land and buildings £m	Plant and equipment £m	Land and buildings £m	Plant and equipment £m	Total £m
Cost					
At 26 April 2020	3,268.4	1,187.0	68.5	157.3	4,681.2
Additions (see below)	200.8	24.8	4.9	1.8	232.3
Transfer to property, plant and equipment held for sale	(1.6)	(0.3)	-	-	(1.9)
Disposals	(10.9)	(2.2)	(0.9)	(0.6)	(14.6)
At 3 January 2021	**3,456.7**	**1,209.3**	**72.5**	**158.5**	**4,897.0**
Additions (see below)	83.3	50.0	0.2	11.0	144.5
Transfer to property, plant and equipment held for sale	(7.0)	(1.6)	-	-	(8.6)
Disposals	(3.3)	(2.9)	(0.3)	(1.9)	(8.4)
Reclassifications	(9.3)	(4.5)	9.3	4.5	-
At 2 January 2022	**3,520.4**	**1,250.3**	**81.7**	**172.1**	**5,024.5**
Depreciation and impairment					
At 26 April 2020	307.5	742.8	15.9	120.0	1,186.2
Depreciation	7.6	56.7	0.2	7.6	72.1
Written back on disposals	(2.9)	(2.1)	(0.1)	(0.4)	(5.5)
Impairment (see below)	20.4	3.3	-	-	23.7
Impairment reversal (see below)	(35.1)	(11.1)	(0.1)	-	(46.3)
Transfer to property, plant and equipment held for sale	(0.6)	(0.3)	-	-	(0.9)
At 3 January 2021	**296.9**	**789.3**	**15.9**	**127.2**	**1,229.3**
Depreciation	12.7	75.1	1.4	8.8	98.0
Written back on disposals	(2.1)	(2.6)	(0.4)	(0.9)	(6.0)
Impairment (see below)	13.5	2.5	0.6	1.2	17.8
Impairment reversal (see below)	(21.2)	(6.4)	(1.7)	(0.2)	(29.5)
Transfer to property, plant and equipment held for sale	(2.0)	(1.0)	-	-	(3.0)
Reclassification	(4.0)	(3.6)	4.0	3.6	-
At 2 January 2022	**293.8**	**853.3**	**19.8**	**139.7**	**1,306.6**
Net book value					
At 2 January 2022	**3,226.6**	**397.0**	**61.9**	**32.4**	**3,717.9**
At 3 January 2021	3,159.8	420.0	56.6	31.3	3,667.7
At 26 April 2020	2,960.9	444.2	52.6	37.3	3,495.0

Additions in the period	**2 January 2022**	3 January 2021
	£m	£m
Consideration paid for Freehold reversion	**99.9**	373.2
Transfer of right-of-use assets (note 19)	**92.4**	270.3
Transfer of lease liabilities (note 19)	**(138.9)**	(459.9)
Total capitalised for freehold reversions	**53.4**	183.6
Other property, plant and equipment additions	**91.1**	48.7
Total additions	**144.5**	232.3

The licensed estate relates to properties, and assets held within those properties which are licensed to sell alcohol (i.e. managed, tenanted and leased houses). Other assets relate to property, plant and equipment associated with unlicensed properties (i.e. brewing, distribution, and central assets).

The net book value of land and buildings comprises:

	2 January 2022 £m	3 January 2021 £m
Freehold properties	**3,138.9**	3,064.7
Leasehold property improvements >50 years unexpired term	**95.0**	94.9
Leasehold property improvements <50 years unexpired term	**54.6**	56.8
	3,288.5	3,216.4

The disaggregation of land and buildings into assets leased to tenants under operating leases and those held by the group is as follows:

	2022			2021		
Licensed Estate	**Leased to tenants £m**	**Used by the group £m**	**Total £m**	Leased to tenants £m	Used by the group £m	Total £m
Cost	**792.1**	**2,728.3**	**3,520.4**	776.1	3,456.7	4232.8
Depreciation	**(136.2)**	**(157.6)**	**(293.8)**	(129.6)	(296.9)	(426.5)
Net Book Value	**655.9**	**2,570.7**	**3,226.6**	646.5	3,159.8	3,806.3

Charges over assets

Included in property, plant and equipment are assets with a group net book value of £1,945.7m (2021: £1,953.1m) and £461.2m (2021: £462.2m) over which there are first charges in favour of the securitised debt holders of the Greene King secured financing vehicle and the Spirit secured financing vehicle respectively. The reduction in the former amount during the year is driven by the disposal of pubs. The reduction in the latter amount during the year is driven by the internal transfer of properties in conjunction with the group's strategy of migrating assets and debt out of the Spirit secured financing vehicle.

Future capital expenditure

	2 January 2022 £m	3 January 2021 £m
Contracted for	**15.3**	12.0

Impairment of property, plant and equipment

During the year to 2 January 2022 the group has recognised a net impairment reversal of £11.7m (36 weeks ended 3 January 2021: reversal £22.6m). This is comprised of an impairment charge of £17.8m (36 weeks ended 3 January 2021: £23.7m) and reversal of previously recognised impairment losses of £29.5m (36 weeks ended 3 January 2021: £46.3m). The recoverable amounts for assets impaired were based on a combination of value in use or fair value less cost of disposal.

These are analysed between the group's principal reporting segments as shown below:

	2 January 2022			3 January 2021		
	Impairment £m	**Reversal of impairment £m**	**Net impairment £m**	Impairment £m	Reversal of impairment £m	Net impairment £m
				restated	restated	restated
Premium, Urban and Venture	**3.0**	**(0.9)**	**2.1**	2.3	(7.0)	(4.7)
Local Pubs	**2.7**	**(4.6)**	**(1.9)**	6.4	(9.6)	(3.2)
Destination Food Brands	**9.7**	**(14.1)**	**(4.4)**	11.3	(25.0)	(13.7)
Pub Partners	**0.6**	**(8.0)**	**(7.4)**	3.7	(4.6)	(0.9)
Brewing & Brands	**0.8**	**-**	**0.8**	-	-	-
Corporate	**1.0**	**(1.9)**	**(0.9)**	-	(0.1)	(0.1)
	17.8	**(29.5)**	**(11.7)**	23.7	(46.3)	(22.6)

The 2021 Impairment has been restated to reflect the Managed pub division being split into 3 new reporting segments in the year (see note 2).

The group considers that each of its individual pubs is a cash-generating unit (CGU). Each CGU is reviewed annually for indicators of impairment. When indicators of impairment are identified the carrying value of the CGU is compared to its recoverable amount. The recoverable amount for assets impaired were based on the higher of value in use or fair value less cost of disposal.

The group estimates value in use using a discounted cash flow model. The key assumptions used are an expected cash flow projection, the discount rate applied to those cash flows of 6.8% (2021: 6.7%) and the long-term growth rate of 1.5% in Premium, Urban and Venture, Local Pubs and Destination Food Brands and 1.8% in Pub Partners which are below the long-term UK inflation rate and reflects anticipated trends in future trading performance.

As risk factors are considered to be similar in each of the group's reporting segments the same level of discount rate is applied to all.

The cashflows relating to individual CGUs used in the impairment exercise have been aligned to the group's 5-year strategy plan adopting a portfolio basis across our different customer propositions based on geography, location and trading profile, as the business returns to pre-COVID-19 level sales in FY23 and pre-COVID-19 profitability over the medium to longer-term.

Estimates of fair value less costs of disposal are based on both internal and external valuations, with the latest external valuation being performed in December 2021. The valuation considers assumptions such as current and future projected income levels, which take account of the location and quality of the pub. In addition, recent market transactions in the sector and potential alternative use values have been considered.

The valuation techniques applied are consistent with the principles in IFRS 13 Fair Value Measurement. As they use significant unobservable inputs, they are classified within Level 3 of the fair value hierarchy, which is further explained in note 21.

Sensitivity to changes in assumptions

The level of impairment is predominantly dependent upon judgments used in arriving at fair values, future growth rates and the discount rate applied to cash flow projections. The net impact on the impairment charge of applying different assumptions to fair values, the growth rates used to calculate cash flow projections and in the pre-tax discount rates used to estimate value in use would be as follows:

	A 10% reduction in fair value less cost of disposal:		**An increase in the discount rate of 0.5% pts:**		**A 25% reduction in growth rate:**	
	2022 £m	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m
		restated		restated		restated
Increased net impairment resulting from:						
Premium, Urban and Venture	**1.5**	1.2	**3.3**	2.9	**3.2**	2.0
Local Pubs	**2.4**	3.5	**3.9**	4.3	**3.1**	3.0
Destination Food Brands	**12.1**	11.9	**7.5**	6.0	**6.0**	4.4
Pub Partners	**0.5**	1.8	**2.8**	1.9	**2.0**	1.8
Corporate	**0.3**	-	**-**	-	**-**	-
	16.8	18.4	**17.5**	15.1	**14.3**	11.2

2021 has been restated to reflect the Managed pub division being split into 3 new reporting segments in the year (see note 2).

12 FINANCIAL ASSETS

	2 January 2022 £m	3 January 2021 £m
Trade loans (net of provision)	**3.5**	3.9
Total current	**3.5**	3.9
Trade loans (net of provision)	**5.7**	6.2
Total non-current	**5.7**	6.2

Trade loans are net of provisions of £8.1m (2021: £10.0m). During the year £0.2m (2021: £nil) of the provision was utilised and £1.7m (2021: £6.5m reversed) of provisions reversed.

Information about the group's exposure to credit and market risks, and impairment losses for Trade Loans is included in note 21.

The impact of COVID-19 has been assessed as a significant increase in credit risk for all free trade loan customers, and therefore a lifetime expected credit loss matrix has been applied. The movement in provisions of free trade loans as a result of COVID-19 are recognised as adjusting items.

Trade loans are advanced to customers on terms linked to supply terms such that returns are greater than interest income. The gross fixed rate trade loans amounted to £9.6m (2021: £10.9m) and gross variable rate trade loans amounted to £7.7m (2021 £9.2m). Included in fixed rate loans are £8.3m of loan with settlement related to purchase levels (2021: £10.0m). The write-down of these loans has been taken on a straight-line basis over the remaining term of the loan as an approximation of the settlement within operating costs.

The fixed rate trade loans had a weighted average interest rate of 0.0% (2021: 0.0%) and a weighted average period of 2.48 years (2021: 2.19 years). Interest rates on variable rate trade loans are linked to base rates.

	2 January 2022 £m	3 January 2021 £m
Trade loans (net of provision)		
Balance at beginning of year	**10.1**	4.7
Advances	**2.2**	1.9
Repayments	**(5.0)**	(3.0)
Provisions reversed	**1.7**	6.5
Provision utilised	**0.2**	-
Balance at end of year	**9.2**	10.1

13 SUBSIDIARY UNDERTAKINGS

The subsidiary undertakings at the reporting date are:

Subsidiary undertakings	Principal activity	Country of incorporation	Held by	Holding	Proportion of voting rights and ownership
Directly held by Greene King Limited					
Greene King Developments Limited[1]	Financing	England & Wales	Parent	Ordinary shares	100%
Greene King GP Limited[1]	Dormant	England & Wales	Parent	Ordinary shares	100%
Greene King Investments Limited[1]	Holding company	England & Wales	Parent	Ordinary shares	100%
Greene King Pension Scheme Limited[1]	Pension trustee	England & Wales	Parent	Ordinary shares	100%
Greene King Properties Limited[1]	Property	England & Wales	Parent	Ordinary shares	100%
Greene King Pubs Limited[1]	Holding company	England & Wales	Parent	Ordinary shares	100%
Greene King Retailing Parent Limited[1]	Holding company	England & Wales	Parent	Ordinary shares	100%
Norman Limited[2]	Holding company	Guernsey	Parent	Ordinary shares	100%
Realpubs Limited[6]	In MVL	England & Wales	Parent	Ordinary shares	100%
Greene King Property Development Limited[1]	Property	England & Wales	Parent	Ordinary shares	100%
Greene King Residential Investments Limited[1]	Property	England & Wales	Parent	Ordinary shares	100%
Greene King Commercial Investments Limited[1]	Property	England & Wales	Parent	Ordinary shares	100%
Greene King CH Investments Limited[1]	Property	England & Wales	Parent	Ordinary shares	100%
Project Spirit Property 1 Limited[7]	Non-trading	Isle of Man	Parent	Ordinary shares	100%
Project Spirit Property 2 Limited[7]	Non-trading	Isle of Man	Parent	Ordinary shares	100%
Project Spirit Property 3 Limited[7]	Non-trading	Isle of Man	Parent	Ordinary shares	100%
Rushmere Sports Club Limited[6]	In MVL	England & Wales	Parent	Ordinary shares	100%
Spirit Pub Company Limited[1]	Holding company	England & Wales	Parent	Ordinary shares	100%
The Capital Pub Company Limited[1]	Holding company	England & Wales	Parent	Ordinary shares	100%
Indirectly held by Greene King Limited					
Allied Kunick Entertainments Limited[1]	Non-trading	England & Wales	Subsidiary	Ordinary shares	100%
Ashes Investment LP[1]	Financing	England & Wales	Subsidiary	Partnership Capital	100%
Aspect Ventures Limited[6]	In MVL	England & Wales	Subsidiary	Ordinary shares	100%
AVL (Pubs) No.1 Limited[6]	In MVL	England & Wales	Subsidiary	Ordinary shares	100%
AVL (Pubs) No.2 Limited[6]	In MVL	England & Wales	Subsidiary	Ordinary shares	100%
Belhaven Brewery Company Limited[3]	Financing	Scotland	Subsidiary	Ordinary shares	100%
Belhaven Finance Limited[3]	In MVL	Scotland	Subsidiary	Ordinary shares	100%
Belhaven Pubs Limited[3]	Holding company	Scotland	Subsidiary	Ordinary shares	100%
Capital Pub Company Trading Limited[6]	In MVL	England & Wales	Subsidiary	Ordinary shares	100%
Chef & Brewer Limited[6]	In MVL	England & Wales	Subsidiary	Ordinary shares	100%
City Limits Limited[6]	In MVL	England & Wales	Subsidiary	Ordinary shares	100%
Cleveland Place Holdings Limited[1]	Holding company	England & Wales	Subsidiary	Ordinary shares	100%
Cloverleaf Restaurants Limited[6]	In MVL	England & Wales	Subsidiary	Ordinary shares	100%
CPH Palladium Limited[1]	Holding company	England & Wales	Subsidiary	Ordinary shares	100%
Dearg Limited[1]	Holding company	England & Wales	Subsidiary	Ordinary shares	100%
Freshwild Limited[1]	Holding company	England & Wales	Subsidiary	Ordinary shares	100%
G.K. Holdings No.1 Limited[1]	Holding company	England & Wales	Subsidiary	Ordinary shares	100%
Greene King Acquisitions (No.3) Limited[6]	In MVL	England & Wales	Subsidiary	Ordinary shares	100%
Greene King Acquisitions No.2 Limited[1]	Holding company	England & Wales	Subsidiary	Ordinary shares	100%
Greene King Brewing and Retailing Limited[1]	Brewing and retailing	England & Wales	Subsidiary	Ordinary shares	100%
Greene King Leasing No.1 Limited[1]	Holding company	England & Wales	Subsidiary	Ordinary shares	100%
Greene King Leasing No.2 Limited[1]	Financing	England & Wales	Subsidiary	Ordinary shares	100%
Greene King Neighbourhood Estate Pubs Limited[1]	Financing	England & Wales	Subsidiary	Ordinary shares	100%
Greene King Retail Services Limited[1]	Employment	England & Wales	Subsidiary	Ordinary shares	100%
Greene King Retailing Limited[1]	Pub retailing	England & Wales	Subsidiary	Ordinary shares	100%
Greene King Services Limited[1]	Employment	England & Wales	Subsidiary	Ordinary shares	100%
Hardys & Hansons Limited[5]	Property	England & Wales	Subsidiary	Ordinary shares	100%
Huggins and Company Limited[1]	Financing	England & Wales	Subsidiary	Ordinary shares	100%

Subsidiary undertakings	Principal activity	Country of incorporation	Held by	Holding	Proportion of voting rights and ownership
Indirectly held by Greene King Limited continued					
LFR Group Limited[3]	Dormant	Scotland	Subsidiary	Ordinary shares	100%
Mountloop Limited[1]	Financing	England & Wales	Subsidiary	Ordinary shares	100%
Narnain[1]	Holding company	England & Wales	Subsidiary	Ordinary shares	100%
Old English Inns Limited[1]	Financing	England & Wales	Subsidiary	Ordinary shares	100%
Open House Limited[6]	In MVL	England & Wales	Subsidiary	Ordinary shares	100%
Premium Casual Dining Limited[6]	In MVL	England & Wales	Subsidiary	Ordinary shares	100%
Premium Dining Restaurants and Pubs Limited[3]	Retailing	Scotland	Subsidiary	Ordinary shares	100%
R.V. Goodhew Limited[1]	Financing	England & Wales	Subsidiary	Ordinary shares	100%
				Deferred ordinary shares	100%
Realpubs Developments Limited[1]	Financing	England & Wales	Subsidiary	Ordinary shares	100%
Realpubs II Limited[1]	Financing	England & Wales	Subsidiary	Ordinary shares	100%
Sapphire Food North East No.1 Limited[6]	In MVL	England & Wales	Subsidiary	Ordinary shares	100%
Sapphire Food North West No.3 Limited[6]	In MVL	England & Wales	Subsidiary	Ordinary shares	100%
Sapphire Food South East No.4 Limited[6]	In MVL	England & Wales	Subsidiary	Ordinary shares	100%
Sapphire Food South West No.2 Limited[1]	Dormant	England & Wales	Subsidiary	Ordinary shares	100%
Sapphire Rural Destinations No.5 Limited[6]	In MVL	England & Wales	Subsidiary	Ordinary shares	100%
Spirit (AKE Holdings) Limited[1]	Holding company	England & Wales	Subsidiary	Ordinary shares	100%
Spirit (Faith) Limited[1]	Financing	England & Wales	Subsidiary	Ordinary shares	100%
Spirit (Legacy) Pension Trustee Limited[1]	Pension trustee	England & Wales	Subsidiary	Ordinary shares	100%
Spirit (PSC) Limited[6]	In MVL	England & Wales	Subsidiary	Ordinary shares	100%
Spirit (Redwood Bidco) Limited[6]	In MVL	England & Wales	Subsidiary	Ordinary shares	100%
Spirit (SGL) Limited[1]	Holding company	England & Wales	Subsidiary	Ordinary shares	100%
Spirit Acquisition Properties Limited[6]	In MVL	England & Wales	Subsidiary	Ordinary shares	100%
Spirit Acquisitions Guarantee Limited[6,8]	In MVL	England & Wales	Subsidiary	n/a	n/a
Spirit Acquisitions Holdings Limited[6]	In MVL	England & Wales	Subsidiary	Ordinary shares	100%
Spirit Financial Holdings Limited[1]	Holding company	England & Wales	Subsidiary	Ordinary shares	100%
Spirit Finco Limited[4]	Financing	Cayman Islands	Subsidiary	Ordinary shares	100%
Spirit Funding Limited[4]	Financing	Cayman Islands	Subsidiary	Ordinary shares	100%
Spirit Group Equity Limited[1]	Holding company	England & Wales	Subsidiary	Ordinary shares	100%
Spirit Group Holdings Limited[1]	Holding company	England & Wales	Subsidiary	Ordinary shares	100%
Spirit Group Parent Limited[1]	Holding company	England & Wales	Subsidiary	Ordinary shares	100%
Spirit Group Pension Trustee Limited[6]	In MVL	England & Wales	Subsidiary	Ordinary shares	100%
Spirit Group Retail (Northampton) Limited[1]	Financing	England & Wales	Subsidiary	Ordinary shares	100%
				Preference shares	100%
Spirit Group Retail (South) Limited[6]	In MVL	England & Wales	Subsidiary	Ordinary shares	100%
Spirit Group Retail Limited[1]	Holding company	England & Wales	Subsidiary	Ordinary shares	100%
				Preference shares	100%
Spirit Group Retail Pensions Limited[1]	In MVL	England & Wales	Subsidiary	Ordinary shares	100%
Spirit Intermediate Holdings Limited[1]	Holding company	England & Wales	Subsidiary	Ordinary shares	100%
Spirit Managed Funding Limited[1]	Financing	England & Wales	Subsidiary	Ordinary shares	100%
				Preference shares	100%
Spirit Managed Holdings Limited[1]	Holding company	England & Wales	Subsidiary	Ordinary shares	100%

Subsidiary undertakings	Principal activity	Country of incorporation	Held by	Holding	Proportion of voting rights and ownership
Indirectly held by Greene King Limited continued					
Spirit Managed Inns Limited[1]	Financing	England & Wales	Subsidiary	Ordinary shares	100%
Spirit Parent Limited[1]	Holding company	England & Wales	Subsidiary	Ordinary shares	100%
Spirit Pub Company (Derwent) Limited[1]	Financing	England & Wales	Subsidiary	Ordinary shares	100%
Spirit Pub Company (Holdco) Limited[1]	Holding company	England & Wales	Subsidiary	Ordinary shares	100%
Spirit Pub Company (Investments) Limited[1]	Financing	England & Wales	Subsidiary	Ordinary shares	100%
Spirit Pub Company (Leased) Limited[1]	Leasing of public houses	England & Wales	Subsidiary	Ordinary shares	100%
Spirit Pub Company (Managed) Limited[1]	Pub retailing	England & Wales	Subsidiary	Ordinary shares	100%
Spirit Pub Company (Services) Limited[1]	Intercompany recharging vehicle	England & Wales	Subsidiary	Ordinary shares	100%
Spirit Pub Company (SGE) Limited[1]	Holding company	England & Wales	Subsidiary	Ordinary shares	100%
Spirit Pub Company (Supply) Limited[1]	Intercompany recharging vehicle	England & Wales	Subsidiary	Ordinary shares	100%
Spirit Pub Company (Trent) Limited[1]	Pub retailing	England & Wales	Subsidiary	Ordinary shares	100%
Spirit Pubs Debenture Holdings Limited[1]	Holding company	England & Wales	Subsidiary	Ordinary shares	100%
Spirit Pubs Parent Limited[1]	Holding company	England & Wales	Subsidiary	Ordinary shares	100%
Spirit Retail Bidco Limited[1]	Holding company	England & Wales	Subsidiary	Ordinary shares	100%
Springtarn Limited[6]	In MVL	England & Wales	Subsidiary	Ordinary shares	100%
The Chef & Brewer Group Limited[1]	Holding company	England & Wales	Subsidiary	Ordinary shares	100%
The Nice Pub Company Limited[6]	In MVL	England & Wales	Subsidiary	Ordinary shares	100%
Tom Cobleigh Group Limited[6]	In MVL	England & Wales	Subsidiary	Ordinary shares	100%
Tom Cobleigh Holdings Limited[6]	In MVL	England & Wales	Subsidiary	Ordinary shares	100%
Tom Cobleigh Limited[1]	Holding company	England & Wales	Subsidiary	Ordinary shares	100%
Whitegate Taverns Limited[6]	In MVL	England & Wales	Subsidiary	Ordinary shares	100%

1. Registered office: Westgate Brewery, Bury St. Edmunds, Suffolk, IP33 1QT.

2. Registered office: Hambro House, St Julian's Avenue, St Peter Port, Guernsey, GY1 3AE.

3. Registered office: Belhaven Brewery, Brewery Lane, Dunbar, East Lothian, EH42 1PE.

4. Registered office: PO Box 309, Ugland House, Grand Cayman, KY1-1004.

5. Registered office: Inn on the Wharf, Manchester Road, Burnley, Lancashire, BB11 1JG. On 6 January 2022 the registered office was changed to Westgate Brewery, Bury St. Edmunds, Suffolk, IP33 1QT.

6. Registered office: Resolve Partners Limited, 22 York Buildings, John Adam Street, London, WC2N 6JU.

7. First Names House, Victoria Road, Douglas, Isle of Man, IM2 4DF

8. Company is limited by guarantee

Member voluntary liquidation "MVL"

14 INVENTORIES

	2 January 2022 £m	3 January 2021 £m
Raw materials and work in progress	**4.3**	2.7
Finished goods and goods for resale	**42.1**	26.7
Consumable stores	**2.2**	2.7
	48.6	32.1

As a result of the government's decision for a third national lockdown on 6 January 2021 and the closure of UK pubs until reopening on 12 April 2021, for outdoor service, and 17 May for indoor, management have written off inventory of £1.1m (2021: £4.6m).

In the prior period the group reversed £3.0m of previously written down inventory in the year as a result of credits received from third parties that were previously provided for. Stock provisions decreased by £0.2m in the year to reflect the trading position of Greene King in 2021, in the prior period provisions increased by £3.5m as a result of the government's decision for a lockdown in early 2021.

15 TRADE AND OTHER RECEIVABLES

	2 January 2022 £m	3 January 2021 £m
Trade receivables	**63.2**	43.7
Other receivables	**54.7**	24.2
Government Subsidy receivable	**-**	21.6
Amounts owed from related parties (note 28)	**28.4**	12.9
Total current	**146.3**	102.4

Trade and other receivables are non-interest bearing.

Trade receivables are shown net of a loss allowance of £7.5m (2021: £11.6m). Information about the group's exposure to credit and market risks, and impairment losses for trade receivables is included in note 21.

Government Subsidy receivables are held for the government subsidy provided to staff members who have been furloughed as a result of COVID-19. At 2 January 2022 all amounts had been received.

16 CASH AND CASH EQUIVALENTS

	2 January 2022 £m	3 January 2021 £m
Cash at bank and in hand	**91.0**	59.7
Short-term deposits	**4.0**	85.8
Cash and cash equivalents for balance sheet	**95.0**	145.5
Bank overdrafts (note 21)	**(0.5)**	-
Cash and cash equivalents for cash flow	**94.5**	145.5

Included in cash at bank and in hand and short-term deposits is £60.4m (2021: £87.6m) and £17.6m (2021: £36.1m) held within securitised bank accounts which are only available for use by the Greene King secured financing vehicle and the Spirit secured financing vehicle respectively.

The Greene King secured financing vehicle comprises Greene King Retailing Parent Limited and one of its subsidiaries and the Spirit secured financing vehicle comprises Spirit Pubs Debenture Holdings Limited and certain of its subsidiaries.

Interest receivable on cash and short-term deposits is linked to prevailing interest rates and is received either monthly or quarterly.

17 PROPERTY, PLANT AND EQUIPMENT HELD FOR SALE

	2 January 2022 £m	3 January 2021 £m
Property, plant and equipment held for sale	**5.6**	1.0

At the year end, property, plant and equipment held for sale of £5.6m (2021: £1.0m) represents pubs that are being actively marketed for sale with expected completion dates within one year. The value of property, plant and equipment held for sale represents the expected net disposal proceeds; further details on the valuation of fair value less costs of disposal are held in note 11. The impairment charge on reclassification to assets held for sale for these sites was £0.1m (2021: £nil).

18 TRADE AND OTHER PAYABLES

	2 January 2022 £m	3 January 2021 £m
Trade payables	**74.2**	40.2
Other payables		
– Other taxation and social security costs	**57.2**	32.9
– Accruals and deferred income	**207.2**	141.6
– Interest payable	**14.5**	8.5
Total current	**353.1**	223.2

Trade payables and other payables are non-interest bearing. Interest payable is mainly settled monthly, quarterly, or semi-annually throughout the year, in accordance with the terms of the related financial instrument. Interest payable in 2021 and 2020 also includes interest on uncertain tax positions.

Included in the other taxation and social security costs is £nil (2021: £21.6m) that has been deferred under the government's VAT Payment Deferral Scheme, which was repaid in the year.

19 LEASES

Group as a lessee

The group has lease contracts for property and various items of plant, machinery, vehicles and other equipment used in its operations. Rental contracts are on average for a lease term of 30 years. The group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the group is restricted from assigning and subleasing the leased assets and some contracts require the group maintain certain financial ratios. 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.

Information about leases for which the group is a lessee is presented below:

	Right-of-use assets		
	Property	Plant and Equipment	Total
	£m	£m	£m
Cost			
At 26 April 2020	**936.8**	**26.5**	**963.3**
Additions	-	1.3	**1.3**
Disposals	(33.4)	-	**(33.4)**
Transfer to Property, Plant and Equipment (note 11)	(270.3)		**(270.3)**
Remeasurement	26.1	(2.7)	**23.4**
At 3 January 2021	**659.2**	**25.1**	**684.3**
Additions	18.8	4.0	**22.8**
Disposals	(15.4)	(2.6)	**(18.0)**
Transfer to Property, Plant and Equipment (note 11)	(98.2)	-	**(98.2)**
Remeasurement	37.9	-	**37.9**
At 2 January 2022	**602.3**	**26.5**	**628.8**
Depreciation and impairment			
At 26 April 2020	**67.7**	**5.0**	**72.7**
Depreciation	31.7	3.9	**35.6**
Written back on disposals	(24.6)	-	**(24.6)**
Impairment	(7.8)	-	**(7.8)**
At 3 January 2021	**67.0**	**8.9**	**75.9**
Depreciation	33.3	5.6	**38.9**
Written back on disposals	(10.4)	(2.5)	**(12.9)**
Transfer to Property, Plant and Equipment (note 11)	(5.8)	-	**(5.8)**
Impairment	3.5	-	**3.5**
At 2 January 2022	**87.6**	**12.0**	**99.6**
Net book value			
At 2 January 2022	**514.7**	**14.5**	**529.2**
At 3 January 2021	592.2	16.2	608.4
At 26 April 2020	869.1	21.5	890.6

Impairment of Right-of-use assets

During the period to 2 January 2022 the group has recognised a net impairment of £3.5m (36 weeks ended 3 January 2021: reversal £7.8m). This is comprised of an impairment charge of £5.5m (36 weeks ended 3 January 2021: £2.6m) and reversal of previously recognised impairment losses of £2.0m (36 weeks ended 3 January 2021: £10.4m reversal). The recoverable amounts for assets impaired were based on a combination of value in use or fair value less cost of disposal.

These are analysed between the group's principal reporting segments as shown below:

	Impairment	**Reversal of impairment**	**Net impairment**	Impairment	Reversal of impairment	Net Impairment
	2022	**2022**	**2022**	2021	2021	2021
	£m	**£m**	**£m**	£m	£m	£m
				restated	restated	restated
Premium, Urban and Venture	**1.4**	**(0.1)**	**1.3**	1.3	(2.7)	(1.4)
Local Pubs	**0.5**	**-**	**0.5**	0.3	(0.1)	0.2
Destination Food Brands	**1.9**	**(0.3)**	**1.6**	0.4	(0.8)	(0.4)
Pub Partners	**0.2**	**-**	**0.2**	0.1	(0.1)	-
Corporate	**1.5**	**(1.6)**	**(0.1)**	0.5	(6.7)	(6.2)
	5.5	**(2.0)**	**3.5**	2.6	(10.4)	(7.8)

The 2021 impairment has been restated to reflect the Managed pub division change to become 3 reportable segments for the 52 weeks ended 2 January 2022.

The group considers that each of its individual pubs is a cash-generating unit (CGU), ROUA has been considered within the wider impairment process of Property, Plant and Equipment. For details on the impairment process see note 11.

Sensitivity to changes in assumptions

The level of impairment is predominantly dependent upon judgments used in arriving at fair values, future growth rates and the discount rate applied to cash flow projections. The net impact on the impairment charge of applying different assumptions to fair values, the growth rates used to calculate cash flow projections and in the pre-tax discount rates used to estimate value in use would be as follows:

	A 10% reduction in fair value less cost of disposal		**An increase in the discount rate of 0.5% pts:**		**A 25% reduction in growth rate:**	
	2022	2021	**2022**	2021	**2022**	2021
Increased net impairment resulting from:	**£m**	£m restated	**£m**	£m restated	**£m**	£m restated
Premium, Urban and Venture	**0.1**	-	**-**	-	**-**	-
Destination Food Brands	**0.1**	-	**0.1**	0.1	**0.1**	-
Pub Partners	**-**	-	**-**	0.1	**-**	0.1
Corporate	**(0.2)**	0.2	**-**	0.2	**-**	0.2
	-	0.2	**0.1**	0.4	**0.1**	0.3

The 2021 impairment has been restated to reflect the Managed pub division change to become 3 reportable segments for the 52 weeks ended 2 January 2022.

Lease liabilities

Lease liabilities included in the statement of financial position	**£m**
As at 26 April 2020	1,173.8
Additions	1.3
Interest expense relating to lease liabilities	30.0
Disposals	(11.4)
Transfer to property, plant and equipment (note 11)	(459.9)
Remeasurements	23.4
Repayment of lease liabilities (including interest)	(21.3)
Rent concessions	(3.9)
As at 3 January 2021	**732.0**
Additions	22.8
Interest expense relating to lease liabilities	22.8
Disposals	(10.3)
Transfer to property, plant and equipment (note 11)	(138.9)
Remeasurements	37.9
Repayment of lease liabilities (including interest)	(70.3)
Rent concessions	(3.2)
As at 2 January 2022	**592.8**

Maturity of lease liability

	2 January 2022 £m	3 January 2021 £m
Current	**35.7**	60.3
Non-current	**557.1**	671.7
Maturity analysis – contractual undiscounted cashflows:		
Less than one year	**55.6**	82.1
One to five years	**168.7**	198.3
More than five years	**766.1**	950.3
Total undiscounted lease liabilities	**990.4**	1,230.7

Amounts recognised in the statement of profit and loss

	2 January 2022 £m	3 January 2021 £m
Depreciation on right-of-use assets		
Property	**33.3**	31.7
Plant and equipment	**5.6**	3.9
Other lease expense and sublease income	**(1.3)**	0.4
Charged to Operating Profit	**37.6**	36.0
Interest expense related to lease liabilities	**22.8**	30.0
Charge to Profit before Taxation for leases	**60.4**	66.0

The total cash outflow for leases was £70.3m (2021: £21.3m).

Extension and termination options

Some property and machinery contain extension or termination options exercisable by group before the end of the non-cancellable period. Where practicable, the group seeks to include these options in new leases to provide operational flexibility. These extension and termination options held are exercisable only by the group and not by the lessors. The group assesses at lease commencement whether it is reasonably certain to exercise the extension or termination options. The group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

The group has estimated that the potential future lease payments, should it exercise the extension options, would result in an increase in future cash outflows of £108.9m (2021: £201.2m) and should it exercise the termination options, would result in a decrease in cash outflows of £10.9m (2021: £12.5m).

Rent concessions

The group negotiated rent concessions with its landlords for some of our property leases as a result of the severe impact of the COVID-19 pandemic during the year. The group applied the practical expedient for COVID-19 related rent concessions consistently to eligible rent concessions relating to its property leases.

The amount recognised in profit or loss for the reporting period to reflect changes in lease payments arising from rent concessions to which the group has applied the practical expedient for COVID-19-related rent concessions is £3.2m (36 weeks ended 3 January 2021: £3.9m).

The group recognised £1.2m (2021: £23.4m) of remeasurements to reflect changes in lease terms arising from rent concessions negotiated with landlords that did not meet the requirements of the practical expedient.

The group provided rent concessions as a result of the COVID-19 outbreak for their tenants totalling £17.1m (2021: £16.6m).

20 BORROWINGS

		2 January 2022			3 January 2021		
		Current	**Non-current**	**Total**	Current	Non-current	Total
	Repayment date	**£m**	**£m**	**£m**	£m	£m	£m
Bank overdrafts	On demand	0.5	-	**0.5**	-	-	-
Bank Loans:							
– Revolving loans	2025	-	219.0	**219.0**	-	203.6	203.6
– Term Loans	2025	-	79.7	**79.7**	-	79.7	79.7
Other Loans:							
– Revolving loans from related parties	2022	1,376.0	-	**1,376.0**	-	980.0	980.0
Commercial Paper	2021	-	-	**-**	299.8	-	299.8
Secured debt:							
– Issued by Greene King Finance plc	2031 to 2036	60.9	1,253.7	**1,314.6**	45.8	1,314.7	1,360.5
– Issued by Spirit Issuer plc	2032	99.5	-	**99.5**	99.8	-	99.8
		1,536.9	**1,552.4**	**3,089.3**	445.4	2,578.0	3,023.4

Bank overdrafts

Overdrafts are utilised for the day-to-day management of cash. The group has facilities of £15.0m (2021: £15.0m) available with interest linked to base rate.

Bank loans – unsecured

The group has available unsecured loan facilities totalling £600.0m, comprising £520.0m revolving loan facilities and a £80.0m term loan facility. This includes a new £200.0m revolving credit facility which was executed in December 2021. The loans are guaranteed by CK Asset Holdings Limited, the group's ultimate parent. The facilities are available to be used for general corporate purposes.

Of the £520.0m (2021: £320.0m) available under the revolving loan facilities, £220.0m (2021: £205.0m) was drawn down at the period end with a carrying value of £219.0m (2021: £203.6m) which included £1.0m (2021: £1.4m) of fees. The £80.0m term loan was fully drawn with a carrying value of £79.7m (2021: £79.7m) which included £0.3m (2021: £0.3m) of fees.

Under the revolving loan facilities, any amounts drawn down bear interest at a margin above LIBOR and commitment interest is charged on the undrawn portions. Interest is payable upon repayment of each draw-down, which vary in length. Although any individual draw-downs are repayable within 12 months of the balance sheet date, the group expects to renew this funding and immediate renewal is available until the maturity of the facilities in February 2025 and March 2025. Under each facility, final repayment of the total drawn-down balance is due as one payment on the maturity date.

Under the term loan facility, the drawn amount bears interest at a margin above LIBOR and interest is payable at the end of each interest period, which may vary in length. The drawn amount is repayable on maturity of the facility in February 2025.

The impact of cessation of the LIBOR rate is discussed in note 21.

Other loans - unsecured

The group has available an unsecured revolving loan facility with CKA Holdings UK Limited, a related party with which the group shares the same ultimate parent. The facility is available to be used for general corporate purposes. In November 2020 the facility was amended to increase the amount available under the facility from £750.0m to £1,500.0m.

Of the £1,500.0m (2021: £1,500.0m) available under the facility, £1,376.0m (2021: £980.0m) was drawn down at the year-end with a carrying value of £1,376.0m (2021: £980.0m).

Any amounts drawn down bear interest at a fixed rate of 2.7% and interest is payable following the end of each interest period which vary in length. Drawn amounts are repayable on maturity of the facility in November 2022. The group has the ability to prepay any drawn amounts and any amounts prepaid may be reborrowed prior to the maturity of the facility. In April 2022 the revolving loan from related parties was extended, see further details provided in note 29.

Commercial paper - unsecured

In June 2020 the group established a commercial paper programme for the purpose of issuing notes which are eligible for purchase under the joint HM Treasury and Bank of England COVID-19 Corporate Financing Facility. Notes issued under this programme are guaranteed by CK Asset Holdings Limited, the group's ultimate parent.

In July 2020 the company issued a zero-coupon note under this programme with a principal amount of £300.0m at a price of 99.825%. The note principal was repaid in full upon maturity on 31 March 2021.

At the end of the prior period the carrying value of the note was £299.8m.

Greene King secured financing vehicle

The group has issued various tranches of bonds in connection with the securitisation of pubs operated by Greene King Retailing Limited. The bonds are secured over the properties and their future income streams and were issued by Greene King Finance plc.

The group's securitised debt issued by Greene King Finance plc consists of the following tranches:

Tranche	Nominal value (£m)	Carrying value (£m)[1] 2 January 2022	3 January 2021	Interest	Interest rate (%)[2]	Last repayment period	Weighted average life[3]
A2	194.4	192.8	202.7	Fixed	5.32	2031	5.7 years
A4	254.0	252.8	257.6	Fixed	5.11	2034	6.7 years
A5	190.9	190.9	201.3	Floating	3.93	2033	6.8 years
A6	225.4	222.5	236.6	Fixed	4.06	2035	7.4 years
A7	239.5	236.0	242.7	Fixed	3.59	2035	7.2 years
B1	120.9	120.1	120.1	Floating	6.96	2034	11.4 years
B2	99.9	99.5	99.5	Floating	6.92	2036	13.5 years
	1,325.0	**1,314.6**	1,360.5				

1. Carrying value is net of related deferred finance fees.
2. Includes the effect of interest rate swap rates on the floating rate notes; the group's interest rate swap arrangements are discussed in note 21.
3. Assumes notes are held until final maturity.

The interest payable on each of the floating rate tranches is as follows:

Tranche	Interest rate payable[1]	Interest rate swap	Total interest rate
A5	L+2.50%	1.43%-L	3.93%
B1	L+1.80%	5.16%-L	6.96%
B2	L+2.08%	4.84%-L	6.92%

1. For the floating rate bonds the interest rate payable is three-month LIBOR (L) plus the margin as shown.
The group has agreed with its bondholders to replace 3-month LIBOR with the compounded SONIA plus 0.1193% after the discontinuance of LIBOR.

Repayment of the nominal is made by quarterly instalments, in accordance with the repayment schedule, over the period shown above. Payment of interest is made on quarterly dates for all classes of bond. All of the floating rate bonds are fully hedged using interest rate swaps.

The Class A2, A4, A5, A6 and A7 bonds rank pari passu in point of security and as to payment of interest and principal and have preferential interest payment and repayment rights over the Class B bonds. The Class B1 and B2 bonds rank pari passu in point of security, principal repayment and interest payment.

The securitisation is governed by various covenants, warranties and events of default, many of which apply to Greene King Retailing Limited, a group company. These include covenants regarding the maintenance and disposal of securitised properties and restrictions on its ability to move cash to other group companies.

The group has available liquidity facilities totalling £224.0m (2021: £224.0m) which can only be used for the purpose of meeting the securitisation's debt service obligations should there ever be insufficient funds available from operations to meet such payments. There were no drawdowns under these facilities during the year and the drawn down amount at the year-end was £nil (2021: £nil).

In April 2021, Greene King Retailing Limited breached its FCF DSCR covenant as a consequence of the COVID-19 Pandemic, resulting in a borrow-level event of default. The group obtained a waiver in respect of this breach and certain other connected events of default, and as at the year end no other covenant breaches had occurred.

Spirit secured financing vehicle

Following the acquisition of Spirit Pub Company in 2015, the group has various secured loan notes issued by Spirit Issuer plc. The secured loan notes have been secured by way of fixed and floating charges over various property assets of Spirit Pub Company (Managed) Ltd and Spirit Pub Company (Leased) Ltd.

The group's secured loan notes issued by Spirit Issuer plc consist of the following:

Tranche	Nominal value (£m)	Carrying Value (£m)[1] 2 January 2022	3 January 2021	Interest	Interest rate (%)[2,4]	Last repayment period	Weighted average life[3]
Class A5	96.7	**99.5**	99.8	Fixed/floating	5.47%	2032	9.2 years
	96.7	**99.5**	99.8				

1. Carrying value includes premium arising from fair value adjustment
2. Includes the effect of interest rate swap rates opn the floating rate notes. The group's interest rate swap arrangements are discussed in note 21.
3. Assumes notes are held until final maturity
4. The A5 tranche switches to a floating rate of L + 0.75% in December 2028 with a swap rate of 4.53%-L. The impact of cessation of the LIBOR rate is discussed in note 20.

Repayment of the nominal is made by quarterly instalments, in accordance with the repayment schedule, within the date ranges shown above. Payment of interest is made on quarterly dates for all classes of secured loan notes.

The secured loan notes rank pari passu in point of security and as to payment of interest and principal.

The debenture is governed by various covenants, warranties and events of default, many of which apply to Spirit Pub Company (Managed) Ltd and Spirit Pub Company (Leased) Ltd, both of which are group companies. These include covenants regarding the maintenance and disposal of debenture properties and restrictions on its ability to move cash to other group companies and the utilisation of disposal proceeds.

The group has available a £15.0m (2021: £15.0m) liquidity facility which can only be used for the purpose of meeting the debenture's debt service obligations should there ever be insufficient funds available from operations to meet such payments. There were no draw-downs under this facility during the year and the drawn down amount at the year-end was £nil (2021: £nil).

During the year Spirit Pub Company (Managed) Limited and Spirit Pub Company (Leased) Limited breached various covenants as a consequence of the COVID-19 pandemic, resulting in multiple borrower-level events of default. In August 2020 the group sought, but failed to obtain, a waiver in respect of certain events of default which were expected to occur, and in light of the failure to obtain that initial waiver the group has not sought further waivers in respect of subsequent covenant breaches. As a result, the two entities remained in a state of technical default at the year end. This gives the trustee of the Spirit secured financing vehicle the ability at the ultimate direction of bondholders to accelerate the advances made to Spirit Pub Company (Managed) Limited and Spirit Pub Company (Leased) Limited by Spirit Issuer plc, which in turn would trigger the mandatory redemption of the Class A5 secured loan note issued by Spirit Issuer plc. No such acceleration had taken place as of the year end, but the entire carrying value of the Class A5 secured loan note has been presented as a current liability in the group balance sheet on the basis that the group does not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

21 FINANCIAL INSTRUMENTS

The group holds the following financial instruments:

		2 January 2022			3 January 2021		
		Current	**Non-current**	**Total**	Current	Non-current	Total
	Note	**£m**	**£m**	**£m**	£m	£m	£m
Financial assets							
Financial assets at amortised cost							
Trade receivables	15	**63.2**	**-**	**63.2**	43.7	-	43.7
Financial assets	12	**3.5**	**5.7**	**9.2**	3.9	6.2	10.1
Cash and cash equivalents	16	**94.5**	**-**	**94.5**	145.5	-	145.5
Amounts owed from related parties	15	**28.4**	**-**	**28.4**	12.9	-	12.9
Government Subsidy receivable	15	**-**	**-**	**-**	21.6	-	21.6
		189.6	**5.7**	**195.3**	227.6	6.2	233.8
Financial liabilities							
Liabilities at amortised cost							
Trade payables and accruals	18	**295.9**	**-**	**295.9**	190.3	-	190.3
Borrowings	20	**1,536.9**	**1,552.4**	**3,089.3**	445.4	2,578.0	3,023.4
Lease liabilities	19	**35.7**	**557.1**	**592.8**	60.3	671.7	732.0
Derivative financial instruments							
Designated as hedging instruments	21	**10.7**	**94.9**	**105.6**	13.2	139.6	152.8
Not designated as hedging instruments	21	**-**	**7.2**	**7.2**	-	8.4	8.4
		1,879.2	**2,211.6**	**4,090.8**	709.2	3,397.7	4,106.9

Financial risk management

The primary treasury objectives of the group are to identify and manage the financial risks that arise in relation to underlying business needs and provide secure and competitively priced funding for the activities of the group. If appropriate, the group uses financial instruments and derivatives to manage these risks.

The principal financial instruments held for the purpose of raising finance for operations are bank loans and overdrafts, secured bonds, cash and short-term deposits. Other financial instruments arise directly from the operations of the group, such as trade and other receivables, trade payables, trade loans and lease liabilities.

Derivative financial instruments, principally interest rate swaps, are used to manage the interest rate risks related to the group’s operations and financing sources. No speculative trading in derivative financial instruments is undertaken.

The main risks arising from the group’s financial instruments are interest rate risk, liquidity risk and credit risk. The policy for managing each of these risks is set out below.

Derivatives

The group has the following derivative financial instruments:

Financial instruments qualifying for hedge accounting

At 2 January 2022 the group held three (2021: three) interest rate swap contracts for a nominal value of £411.7m (2021: £422.1m), which are designated cash flow hedges against £411.7m (2021: £422.1m) of variable rate bonds issued by Greene King Finance plc. These swaps are hedges of the A5, B1 and B2 tranches, receiving a variable rate of interest based on 3-month GBP LIBOR and paying a fixed rate of 1.426% on the A5 tranche, 5.155% on the B1 tranche and 4.837% on the B2 tranche. The weighted average fixed rate of the swaps was 3.3% (2021: 3.3%).

The interest rate swaps hedging the A5, B1 and B2 tranches are held on the balance sheet as a fair value liability of £105.6m (2021: £152.8m). The contract maturity dates range from December 2033 to March 2036. Prospective hedge effectiveness testing is performed, and the bonds and related interest rate swaps have the same critical terms excluding credit risk.

Scheduled cash payments of £13.6m (2021: £9.7m) made in respect of the swaps have been initially recognised on an accrual basis in the hedging reserve and then transferred to the income statement during the year as the hedged cash flows have affected profit or loss. Amounts transferred to the income statement in respect of these payments have been recognised in underlying finance costs.

Changes in cash flow hedge fair values are recognised in the hedging reserve to the extent that the hedges are effective. The interest rate swaps have been assessed as highly effective during the period and are expected to remain highly effective over their remaining contract lives. The ineffectiveness during the period, which is recognised within finance costs, amounted to £nil (2021: £nil).

During the year a loss of £7.3m (2021: £5.6m) was recycled from the hedging reserve to the income statement as an adjusting finance cost in respect of interest rate swap liabilities settled in prior periods (see note 5). The remaining losses in the hedging reserve in respect of these swaps, which had been designated cash flow hedges, will be recycled over the period over which the hedged forecast cash flows affect profit or loss.

Financial instruments not qualifying for hedge accounting

At 2 January 2022, the group holds one (2021: one) forward starting swap commencing when the A5 notes issued by Spirit Issuer plc switch from fixed rate interest to floating rate in December 2028. Upon the acquisition of Spirit Pub Company, the swap was deemed an ineffective hedge and therefore does not qualify for hedge accounting, with movements in its fair value being recognised in the income statement. Under the swap the group will receive a variable rate of interest based on 3-month GBP LIBOR and pay a fixed rate of 4.529%. The swap is held on the balance sheet as a fair value liability of £7.2m (2021: £8.4m) and the contract maturity date falls in December 2032.

Scheduled cash payments of £nil (2021: £nil) made in respect of the swaps have been recognised in pre-adjusting finance costs net of amortisation of fair value on acquisition of £nil (2021: £nil). These amounts are included within pre-adjusted profit as they can be deemed to be the market rate of the acquired swaps. The remainder of the fair value movement amounting to a £1.2m loss (2021: £nil) is recognised in adjusted finance costs as it is considered to be more volatile and its inclusion in pre-adjusted profit would hinder year-on-year comparability of performance.

Where the nominal value of a derivative exceeds that of the related secured note (for example, due to early repayment of floating rate notes) the group seeks to eliminate the over-hedging where this is financially practicable. At 2 January 2022, the nominal value of interest rate swaps outstanding on cancelled floating rate notes which relate to the Spirit secured debt was £nil (2021: £nil).

Interest rate risk

Exposure to changes in interest rates on the group's borrowings is reviewed with regard to the maturity profile and cash flows of the underlying debt. The group uses a mixture of fixed and floating interest rate debt with exposure to market interest rate fluctuations primarily arising from the floating rate instruments. The group enters into interest rate swaps to manage the exposure. Certain swaps are designated as cash flow hedges at the date of contract included within the accounts and tested for effectiveness at each reporting date.

In accordance with IFRS 7, the group has undertaken sensitivity analysis on its financial instruments which are affected by changes in interest rates. This analysis has been prepared on the basis of a constant amount of net debt, a constant ratio of fixed to floating interest rates, and on the basis of the hedging instruments in place at 2 January 2022 and 3 January 2021. The analysis relates only to balances at these dates and is not representative of the year as a whole. The following assumptions were made:

- Balance sheet sensitivity to interest rates applies only to derivative financial instruments, as the carrying value of debt and deposits does not change as interest rates move.
- Gains and losses are recognised within other comprehensive income or the income statement in line with the accounting policies of the group.
- Cash flow hedges were assumed to be effective or ineffective on the same basis as those as at the year end.

Based on the group's net position at the year-end, a 1% increase or decrease in interest rates would change the group's profit before tax by approximately £1.3m (2021: £1.3m) and the group's OCI by £50.5m (2021: £50.5m). An increase in interest rates would increase (2021: increase) the group's profit and increase (2021: increase) OCI.

Whilst cash flow interest rate risk is largely eliminated, the use of fixed rate borrowings and derivative financial instruments exposes the group to fair value interest rate risk such that the group would not significantly benefit from falls in interest rates and would be exposed to unplanned costs, such as break costs, should debt or derivative financial instruments be restructured or repaid early.

The percentage of net debt that was fixed as at the year-end was 93.2% (2021: 95.2%).

IBOR Reform

In accordance with the UK Financial Conduct Authority's announcement on 5 March 2021, Sterling LIBOR benchmark rates have been discontinued after 31 December 2021. During the year the group transitioned some of its exposures from Sterling LIBOR based to Sterling Overnight Index Average (SONIA) based. There have been amendments to the contractual terms of IBOR-referenced interest rates and the corresponding update of the hedge designations.

The group applied Phase 1 amendments to IFRS 9 until the LIBOR-referenced contracts were amended to replace the interest rate benchmark with SONIA. The group started to apply Phase 2 amendments which provides relief from applying specific hedge accounting and financial instrument derecognition requirements directly affected by interbank offered rate (IBOR) reform.

By applying the practical expedient, the group has not been required to discontinue its hedging relationships as a result of changes in reference rates due to the IBOR reform. For financial instruments measured using amortised cost measurement changes to the basis for determining the contractual cash flows required by interest rate benchmark reform have been reflected by adjusting effective interest rates. No immediate gain or loss have been recognised.

At 2 January 2022 the group held the following contracts which reference GBP LIBOR which had not been yet transitioned to SONIA or an alternative interest rate benchmark.

Non-derivative liabilities exposed to GBP LIBOR	Carrying value £m 2022
Bank revolving loans	**219.0**
Bank term loans	**79.7**
Secured loan noted issued by Spirit Issuer plc	**99.5**
	398.2

After the end of the period the group completed the transition of bank loans to SONIA.

At 2 January 2022 the group held one hedging instrument which references GBP LIBOR and had not been yet transitioned to SONIA or an alternative interest rate benchmark, such that phase 1 relief(s) have been applied to the hedging relationship:

Derivative liabilities exposed to GBP LIBOR	Nominal value £m	Carrying value £m 2022
Interest rate swaps	**96.7**	**7.2**
	96.7	**7.2**

In accordance with the reliefs introduced by Interest Rate Benchmark Reform amendments, the group has assumed that the interest rate benchmark on which the hedged cash flows and cash flows of the hedging instruments are based is not altered as a result of the interest rate benchmark reform.

The group is working on the implementation of changes to the contracts within the Spirit debenture vehicle.

Liquidity risk

The group mitigates liquidity risk by managing cash generated by its operations combined with bank borrowings and long-term debt. The group's objective is to maintain a balance between the continuity of funding and flexibility through the use of overdrafts and bank loans. The group also monitors the maturity of financial liabilities to avoid the risk of a shortage of funds.

The standard payment terms that the group has with its suppliers is 60 days following month end (2021: 60 days following month end).

Excess cash used in managing liquidity is placed on interest-bearing deposit using instant-access money market deposit accounts. Short-term flexibility is achieved through the use of short-term borrowing on the money markets under the group's revolving credit facilities.

The table below summarises the maturity profile of the group's financial liabilities at 2 January 2022 and 3 January 2021 based on contractual undiscounted payments including interest.

2 January 2022	**Within 1 year £m**	**1–2 years £m**	**2–5 years £m**	**>5 years £m**	**Total £m**
Interest bearing loans and borrowings:					
– Capital[1]	1,535.3	67.1	544.5	951.2	3,098.1
– Interest	94.5	57.3	142.2	169.6	463.6
	1,629.8	124.4	686.7	1,120.8	3,561.7
Interest rate swaps settled net	10.7	8.5	25.6	75.4	120.2
	1,640.5	132.9	712.3	1,196.2	3,681.9
Trade payables and accruals	296.2	-	-	-	296.2
Lease liabilities	55.6	45.9	122.8	766.1	990.4
	1,992.3	**178.8**	**835.1**	**1,962.3**	**4,968.5**

3 January 2021	**Within 1 year £m**	**1–2 years £m**	**2–5 years £m**	**>5 years £m**	**Total £m**

Interest bearing loans and borrowings:					
– Capital[1]	443.6	1,042.1	510.0	1,038.0	3,033.7
– Interest	85.1	75.8	136.9	197.7	495.5
	528.7	1,117.9	646.9	1,235.7	3,529.2
Interest rate swaps settled net	13.9	13.8	38.6	97.9	164.2
	542.6	1,131.7	685.5	1,333.6	3,693.4
Trade payables and accruals	190.3	-	-	-	190.3
Lease liabilities	82.1	53.3	145.0	950.3	1,230.7
	815.0	**1,185.0**	**830.5**	**2,283.9**	**5,114.4**

[1] Due to the covenant breach in the Spirit secured financing vehicle referred to in note 21, the entire capital of the Class A5 secured loan note has been presented as within 1 year. The contractual interest in respect of the Class A5 secured loan note has been reflected accordingly being only within 1 year interest included in the table above. If the loan note was not re-called, additional interest of £33.7m (2021: £39.9m) would be payable over the contracted term.

Credit risk

Financial assets include trade loans, cash and cash equivalents and trade and other receivables. Credit risk is the risk of default by the counterparty to discharge their obligation and the maximum exposure of the group is the carrying amount of these instruments. The credit risk on cash and cash equivalents is limited by investment of surplus funds with banks and financial institutions with high credit ratings assigned by international credit agencies.

The policy for third party trading is that all customers who wish to trade on credit terms are subject to regular credit verification procedures. Receivable balances are also monitored on an ongoing basis and provided against where deemed necessary to limit the exposure to bad debts to a non-significant level.

Security is held for certain free trade loan customers. No other significant collateral is held and there are no significant concentrations of credit risk within the group.

Impairment of financial assets
The group has two types of financial assets that are subject to the expected credit loss model:

- trade and other receivables
- financial assets (trade loans with publicans) held at amortised cost

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Impairment losses on financial assets and trade and other receivables recognised in profit or loss were as follows:

	2 January 2022	3 January 2021
	£m	£m
Non-Adjusting:		
Impairment (reversal)/loss on trade and other receivables	**(0.8)**	1.4
	(0.8)	1.4
Adjusting:		
Impairment reversal on trade and other receivables	**(3.3)**	(12.8)
Impairment reversal on financial assets (trade loans with publicans)	**(1.7)**	(6.5)
	(5.0)	(19.3)
	(5.8)	(17.9)

For more detail on Adjusting items refer to note 5.

Trade receivables
An impairment analysis is performed at each reporting date using a provision matrix to measure the expected credit losses for trade receivables. The provision rates are based on days past due. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The group writes off a trade receivable when there is objective evidence that the debtor is in significant financial difficulty and there is no realistic prospect of recovery.

For the year period 2 January 2022, the provision matrix has been refined to take into account the additional information available as a result of the COVID-19 global pandemic and the financial distress in the sector. The assessment includes in-depth discussions with key management to reflect the aging analysis of live debts to incorporate deterioration as an indicator of financial distress of customers and a more detailed segmentation of customers to reflect their risk profile.

Set out below is the information about the credit risk exposure on the group's trade receivables using a provision matrix:

	2 January 2022			3 January 2021		
	Gross £m	**Provision £m**	**Net £m**	Gross £m	Provision £m	Net £m
Not past due	**48.3**	**(1.1)**	**47.2**	28.7	(0.9)	27.8
Past due						
– Less than 30 days	**6.2**	**(1.1)**	**5.1**	4.1	(0.7)	3.4
– 30-60 days	**2.7**	**(0.4)**	**2.3**	2.2	(0.5)	1.7
– Greater than 60 days	**13.5**	**(4.9)**	**8.6**	20.3	(9.5)	10.8
	70.7	**(7.5)**	**63.2**	55.3	(11.6)	43.7

Financial assets

The group measures expected credit losses for financial assets held at amortised cost by keeping a system that identifies debts that are at a high risk of non-recovery. Once the debts are moved into this system, the risk related to the debt is considered to have significantly increased. The criteria taken into account by the system are customers who have both sales and debt unpaid, and customers that have stopped trading with the group but have an outstanding balance. For the loans considered to be at high risk of non-recovery a lifetime expected loss is calculated.

As at 2 January 2022, the group has continued to assess COVID-19 to have a significant risk on all free trade customers, during the year the free trade customer's performance against volume targets imposed by the loan has been factored into the risk profile.

Set out below is the movement in the allowance for expected credit losses of trade receivables and financial assets held at amortised cost:

	Trade receivables		**Financial assets**	
	2 January 2022 £m	3 January 2021 £m	**2 January 2022 £m**	3 January 2021 £m
As at beginning of period	**(11.6)**	(23.0)	**(10.0)**	(16.5)
Unused amounts reversed	**4.1**	11.4	**1.7**	6.5
Provision Utilised	**-**	-	**0.2**	-
As at end of period	**(7.5)**	(11.6)	**(8.1)**	(10.0)

Further information on the group's expected credit loss methodology can be found in note 2.

Fair values

Set out in the table below is a comparison of carrying amounts and fair values of certain of the group's financial instruments in accordance with the requirements of IFRS 7 and IFRS 13. The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced liquidation or sale. The following methods and assumptions were used to estimate the fair values:

- Financial assets - these are carried at amortised cost using the effective interest method and fair value is deemed to be the same as this.
- Interest-bearing loans and borrowings - based on quoted market prices in the case of the secured debt; approximates to the carrying amount (adjusted to exclude capitalised fees) in the case of bank loans and loans from related parties.
- Interest rate swaps - calculated by discounting all future cash flows by the market yield curve at the balance sheet date and adjusting for, where appropriate, the group's and counterparty credit risk. Changes in credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships.

	Fair value	**Carrying value**	Fair value	Carrying value

	Hierarchical classification	2 January 2022 £m	2 January 2022 £m	3 January 2021 £m	3 January 2021 £m
Financial liabilities					
Overdraft	Level 2	**(0.5)**	**(0.5)**	-	-
Interest-bearing loans and borrowings					
– Secured debt:					
Issued by Greene King Finance plc	Level 1	**(1,378.6)**	**(1,314.6)**	(1,411.0)	(1,360.5)
Issued by Spirit Issuer plc	Level 1	**(108.8)**	**(99.5)**	(106.6)	(99.8)
Bank loans	Level 2	**(300.0)**	**(298.7)**	(285.0)	(283.3)
Loans from related parties	Level 2	**(1,376.0)**	**(1,376.0)**	(980.0)	(980.0)
Commercial paper	Level 2	**-**	**-**	(300.0)	(299.8)
Interest rate swaps	Level 2	**(112.8)**	**(112.8)**	(161.2)	(161.2)
Financial assets					
Financial assets	Level 3	**9.2**	**9.2**	10.1	10.1

Carrying values of the secured debt issued by Greene King Finance plc are stated net of deferred finance fees of £10.4m (2021: £11.6m).

Carrying values of the secured debt issued by Spirit Issuer plc include premiums arising from fair value adjustments of £2.8m (2021: £3.1m).

Carrying values of bank loans are stated net of deferred finance fees of £1.3m (2021: £1.7m).

Carrying value of commercial paper is stated net of discount of £nil (2021: £0.2m).

Hierarchical classification of financial assets and liabilities measured at fair value

IFRS 13 requires that the classification of financial instruments at fair value be determined by reference to the source of inputs used to derive fair value. The classification uses the following three-level hierarchy:

Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 - other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3 - techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

During the periods ending 2 January 2022 and 3 January 2021 there were no transfers between fair value levels 1, 2 or 3.

Capital risk management

The group aims to maintain strong credit ratings and a core level of debt which optimised the weighted average cost of capital (WACC).

A number of mechanisms are used to manage net debt and equity levels (together referred to as capital) as disclosed on the balance sheet, as appropriate in light of economic and trading conditions. To maintain or adjust the capital structure, the group may adjust distributions to its immediate parent or issue new share capital to its immediate parent.

The group monitors capital using several measures including fixed charge cover, the ratio of net debt to EBITDA and free cash flow debt service coverage. All financial covenants in relation to the bank loans have been fully complied with however certain covenant breaches occurred during the year in relation to the securitisation vehicles as disclosed in note 21.

22 PROVISIONS

	Property leases £m
At 26 April 2020	6.9
Provided for during the year	4.5
Released during the year	(1.3)
Utilised during the year	(0.3)
At 3 January 2021	**9.8**
Provided for during the year	1.6
Released during the year	(1.6)
Utilised during the year	(1.2)
At 2 January 2022	**8.6**

Provisions have been analysed between current and non-current as follows:

	2 January 2022	3 January 2021
	£m	£m
Current	**4.7**	5.3
Non-current	**3.9**	4.5
	8.6	9.8

Property leases

The provision for property leases has been set up to cover dilapidation requirements and potential liabilities on assigned leases.

23 SHARE CAPITAL

	2 January 2022		3 January 2021	
	Number of issued shares	**Share capital**	Number of issued shares	Share capital
	m	**£m**	m	£m
Ordinary shares of 12.5p each – called up, allotted and fully paid				
At beginning of year	**312.1**	**39.0**	312.0	39.0
Issue of share capital – share options exercised	**-**	**-**	0.1	-
At end of period	**312.1**	**39.0**	312.1	39.0

24 RESERVES

Share premium account

Share premium represents the excess of proceeds received over the nominal value of new shares issued.

Merger reserve

The merger reserve represents capital contributions received and amounts recognised on the acquisition of Spirit Pub Company Limited being the difference between the value of the consideration and the nominal value of the shares issued as consideration.

Capital redemption reserve

The capital redemption reserve arose from the purchase and cancellation of own share capital and 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, in line with the accounting policy disclosed in note 2. Amounts recycled to income are included within finance costs in the income statement.

Goodwill

The cumulative amount of goodwill written off to retained earnings in respect of acquisitions made prior to May 1998 amounts to £89.7m.

25 WORKING CAPITAL AND NON-CASH MOVEMENTS

	2 January 2022	3 January 2021
	£m	£m
Increase in inventories	**(17.4)**	(0.3)
Increase in trade and other receivables	**(9.0)**	(0.7)
Increase/(decrease) in trade and other payables	**122.4**	(63.1)
Decrease in provisions	**(1.2)**	(0.3)
Other non-cash movement	**(1.0)**	5.7
Defined benefit pension contributions paid	**(4.5)**	(3.0)
Operating adjusting items	**(9.2)**	(11.6)
Working capital and other movements	**80.1**	(73.3)

26 ANALYSIS AND MOVEMENTS IN NET DEBT

	As at 3 January 2021	Financing cash flows[2]	Changes in fair value[3]	Other non-cash changes	As at 2 January 2022
	£m	£m	£m	£m	£m
Cash and cash equivalents					
Cash at bank and in hand[1]	145.5	(50.5)	-	-	**95.0**
Cash and cash equivalents for balance sheet	145.5	(50.5)	-	-	**95.0**
Overdrafts	-	(0.5)	-	-	**(0.5)**
Cash and cash equivalents for cash flow	145.5	(51.0)	-	-	**94.5**
Liabilities from financing activities					
Included in net debt:					
– Bank loans:					
- Revolving loans	(203.6)	(15.0)	-	(0.4)	**(219.0)**
- Term loans	(79.7)	-	-	-	**(79.7)**
– Other loans:					
- Revolving loans from related parties	(980.0)	(396.0)	-	-	**(1,376.0)**
- Commercial paper	(299.8)	300.0		(0.2)	**-**
- Securitised borrowing	(1,460.3)	47.1		(0.9)	**(1,414.1)**
	(3,023.4)	(63.9)	-	(1.5)	**(3,088.8)**
Not included in net debt:					
– Derivative financial instruments	(161.2)	-	48.4	-	**(112.8)**
- Lease liabilities[4]	(732.0)	48.8	-	90.4	**(592.8)**
Liabilities from financing activities	(3,916.6)	**(15.1)**	**48.4**	**88.9**	**(3,794.4)**
Net debt	(2,877.9)	**(114.9)**	**-**	**(1.5)**	**(2,994.3)**

1. Includes short-term deposits.
2. Excludes interest payments on borrowings, which are recognised within 'cash flows from operating activities' in the group cash flow statement.
3. Includes the impact on the fair value of derivatives of scheduled interest payments which are recognised within 'cash flows from operating activities' in the group cash flow statement.
4. Other non-cash changes on Lease Liabilities incorporates £22.8m additions, £37.9m remeasurements, £(149.2m) disposals, and £(3.2m) lease concessions.

	As at 26 April 2020 £m	Financing Cash flows[2] £m	Changes in Fair value[3] £m	Other non-Cash changes £m	As at 3 January 2021 £m
Cash and cash equivalents					
Cash at bank and in hand[1]	20.4	125.1	-	-	145.5
Cash and cash equivalents for balance sheet	20.4	125.1	-	-	145.5
Cash and cash equivalents for cash flow	20.4	125.1	-	-	145.5
Liabilities from financing activities					
Included in net debt:					
– Bank loans:					
- Revolving loans	(258.4)	55.0	-	(0.2)	(203.6)
- Term loans	(79.6)	-	-	(0.1)	(79.7)
– Other loans:					
- Revolving loans from related parties	(425.0)	(555.0)	-	-	(980.0)
- Commercial Paper	-	(299.3)	-	(0.5)	(299.8)
– Securitised borrowing	(1,487.6)	27.9	-	(0.6)	(1,460.3)
	(2,250.6)	(771.4)	-	(1.4)	(3,023.4)
Not included in net debt:					
– Derivative financial instruments	(162.6)	-	1.4	-	(161.2)
– Lease liabilities[4]	(1,173.8)	6.8	-	435.0	(732.0)
Liabilities from financing activities	(3,587.0)	(764.6)	1.4	433.6	(3,916.6)
Net debt	(2,230.2)	(646.3)	-	(1.4)	(2,877.9)

1. Includes short-term deposits.
2. Excludes interest payments on borrowings, which are recognised within 'cash flows from operating activities' in the group cash flow statement.
3. Includes the impact on the fair value of derivatives of scheduled interest payments which are recognised within 'cash flows from operating activities' in the group cash flow statement.
4. Other non-cash changes on Lease Liabilities incorporates £1.3m additions, £23.4m remeasurements, £(471.3m) disposals, £8.7m Lease payments (net of Interest) and £(3.9m) lease concessions.

27 OPERATING LEASE ARRANGEMENTS

The group leases part of its licensed estate and other non-licensed properties to tenants. The majority of lease agreements have terms of between six months and 25 years and are classified for accounting purposes as operating leases. Most of the leases with terms of over three years include provision for rent reviews on either a three year or five-year basis.

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

	2 January 2022 £m	3 January 2021 £m
Within one year	**39.1**	38.5
Between one and two years	**34.5**	33.2
Between two and three years	**28.6**	28.5
Between three and four years	**23.0**	22.8
Between four and five years	**18.8**	17.4
After five years	**119.5**	118.0
	263.5	258.4

28 RELATED PARTY TRANSACTIONS

Since the acquisition, the group has entered into transactions with subsidiaries of CK Asset Holdings Limited, its ultimate parent undertaking in the year. These have been disclosed below:

	Transaction values		Balances outstanding	
	2 January 2022	**3 January 2021**	**2 January 2022**	**3 January 2021**
	£m	£m	**£m**	£m
CKA Holdings UK Limited				
Revolving Loan Facility and interest	**-**	-	**(1,376.0)**	(980.0)
Interest and expense and accrued interest	**(34.1)**	(9.9)	**(9.6)**	(3.6)

The unsecured Revolving Credit Facility has a fixed interest rate of 2.7% and matures on 21 November 2022, with any loans outstanding on maturity payable on 21 November 2022. In April 2022 the facility was extended to November 2024.

CK Noble (UK) Limited				
Amounts owed to Greene King Limited	**-**	-	**21.9**	12.9

During the period, £9.2m was paid by CK Noble UK Limited to Greene King key management personnel and the senior leadership team as a retention bonus following the acquisition of the group by CKA in October 2019.

Hutchinson Property Group Limited				
Amounts owed to Greene King Limited	**-**	-	**3.5**	**-**
Group relief	**(3.5)**	-	**-**	**-**
Social Healthcare Group Limited				
Amounts owed to Greene King Limited	**-**	-	**0.4**	**-**
Group relief	**(0.4)**	-	**-**	**-**
CK Steel (UK) Limited				
Amounts owed to Greene King Limited	**-**	-	**2.5**	-
Group relief	**(2.5)**	-	**-**	-
Hutchison 3G UK Limited				
Rental income of base stations	**0.1**	0.1	**-**	-
Provision of internet and telecommunication services	**(0.1)**	-	**-**	-
Guangzhou Watsons Food and Beverages Co. Ltd				
Sale of beer	**0.1**	0.5	**-**	-
Citrus Growers International Ltd				
Sale of beer	**0.1**	0.2	**0.1**	-
The Butcher's Tap & Grill Limited				
Sale of beer	**0.1**	-	-	-
Northumbrian Water Limited				
Supply of water	**(0.3)**	-	**-**	-
Total	**(6.4)**	0.8	**28.4**	12.9

Greene King historically leased a number of properties from Almeisan 1 B.V., Almeisan 3 B.V., Almeisan 4 B.V. and Almesian 5 B.V which were part of the CK Asset Holdings Limited group. These transactions were at arm's length and have an expiry date of 2044. These were capitalised in line with IFRS 16 with right-of-use assets and Lease Liabilities on transition to IFRS 16.

On 17 December 2020, the group purchased the freehold or long leasehold interest of these properties at arm's length on the basis of an external market valuation with total consideration paid of £373.2m. The right-of-use assets and Lease Liabilities were transferred to Property, Plant and Equipment resulting in a net addition of £183.6m to property, plant and equipment.

	Transaction values		**Balances outstanding**	
	2 January 2022	3 January 2021	**2 January 2022**	3 January 2021
	£m	£m	**£m**	£m
Right-of-use asset				
Balances as at year end	-	-	-	-
Amortisation of right-of-use asset	-	(8.0)	-	-
Transfer to Property, plant and equipment	-	(270.3)	-	-
Lease liability				
Balance as at year end	-	-	-	-
Interest charged on lease liabilities	-	(12.7)	-	-
Transfer to Property, plant and equipment	-	459.9	-	-
Payments made to CK Asset Holdings Limited	-	11.0	-	-
Purchase of freehold reversion	-	(373.2)	-	-
Net addition to property, plant and equipment	-	183.6	-	-

Greene King Finance plc and Spirit Issuer plc are structured entities set up to raise bond finance for the group, and as such are deemed to be related parties. The results and financial position of the entities have been consolidated in the group's results.

Details of the remuneration for the key management personnel services are given in note 6.

29 POST BALANCE SHEET EVENTS

Spirit (Legacy) Pension Scheme

On 19 January 2022, the Spirit Pension scheme entered into a buy-in policy for c.£110m that provides insurance for a proportion of its pensioner population. The value of the buy-in on an IAS 19 accounting basis matches the value of the underlying pension obligations.

Revolving credit facility from CKA Holdings UK Limited

On 4 April 2022 the £1,500m revolving credit facility with CKA Holdings UK Limited due to expire in November 2022 was extended to November 2024. There were no other changes to the facility as part of this extension.

30 ULTIMATE PARENT COMPANY

At 2 January 2022 the directors consider the immediate parent undertaking and immediate controlling party of Greene King Limited to be CK Noble (UK) Limited, a company incorporated in the UK. Registered at 3 More London Riverside, London, United Kingdom.

The ultimate parent undertaking and ultimate controlling party is CK Asset Holdings Limited, a company registered in the Cayman Islands and registered in Hong Kong, with its shares listed on the Main Board of the Hong Kong Stock Exchange.

CK Asset Holdings Limited is the smallest and largest group which includes the results of the company and for which group financial statements are prepared. Copies of its group financial statements are available from 7th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong.

COMPANY BALANCE SHEET

AS AT 2 JANUARY 2022

Registered number: 00024511

	Note	**As at 2 January 2022 £m**	As at 3 January 2021 £m
Fixed assets			
Investments	34	**3,905.0**	3,866.7
Current assets			
Debtors	35	**384.0**	243.7
Cash and cash equivalents		**-**	11.1
Creditors: amounts falling due within one year	36	**(2,587.7)**	(1,583.3)
Net current liabilities		**(2,203.7)**	(1,328.5)
Total assets less current liabilities		**1,701.3**	2,538.2
Creditors: amounts falling due after more than one year	37	**(298.7)**	(1,263.3)
Net assets		**1,402.6**	1,274.9
Capital and reserves			
Called up share capital	39	**39.0**	39.0
Share premium account	40	**269.4**	269.4
Merger reserve	40	**752.0**	752.0
Revaluation reserve	40	**2.5**	2.5
Other reserve	40	**93.9**	93.9
Retained earnings[1]		**245.8**	118.1
Equity attributable to owners of the parent		**1,402.6**	1,274.9

1 The profit and loss account of the parent company is omitted from the company's accounts by virtue of the exemption granted by section 408 of the Companies Act 2006. The profit generated in the year for ordinary shareholders and included in the financial statements of the parent company, amounted to £127.7m (36 weeks ended 3 January 2021: profit £30.3m).

Signed on behalf of the board on 26 April 2022

Richard Smothers

Director

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE 52 WEEKS ENDED 2 JANUARY 2022

	Called up share capital £m	Share premium account £m	Merger reserve £m	Revaluation reserve £m	Other reserve £m	Retained earnings £m	Total £m
At 26 April 2020	**39.0**	**269.4**	**752.0**	**2.5**	**93.9**	**87.8**	**1,244.6**
Profit for the year	-	-	-	-	-	30.3	30.3
Total comprehensive income	-	-	-	-	-	30.3	30.3
At 3 January 2021	**39.0**	**269.4**	**752.0**	**2.5**	**93.9**	**118.1**	**1,274.9**
Profit for the year	-	-	-	-	-	127.7	127.7
Total comprehensive income	-	-	-	-	-	**127.7**	**127.7**
At 2 January 2022	**39.0**	**269.4**	**752.0**	**2.5**	**93.9**	**245.8**	**1,402.6**

NOTES TO THE COMPANY ACCOUNTS

FOR THE 52 WEEKS ENDED 2 JANUARY 2022

31 ACCOUNTING POLICIES

Basis of accounting and presentation

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards.

The company meets the definition of a qualifying entity under FRS 100 Application of Financial Reporting Requirements as issued by the Financial Reporting Council (FRC). The financial statements have therefore been prepared in accordance with FRS 101 Reduced Disclosure Framework.

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IAS 7: Statement of Cash Flows;
- the requirements of IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors; to disclose IFRSs issued but not effective;
- the requirements of IFRS 2: Share-based payments (paragraphs 45(b) and 46 to 52);
- the requirements of IFRS 7: Financial Instruments: Disclosures;
- the requirements of IFRS 13: Fair Value Measurements;
- the requirements of IAS 24: Related Party Disclosures (to present key management personnel compensation and intragroup transactions including wholly owned subsidiaries); and
- the requirements of IAS 1: Presentation of Financial Statements, to present certain comparative information and capital management disclosures.

Where required, equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.

Greene King Limited is a private company limited by shares incorporated and domiciled in England and Wales. The address of its registered office is Westgate Brewery, Bury St. Edmunds, Suffolk, IP33 1QT.

Investments

Investments in subsidiaries are recorded at cost less impairment and held as fixed assets on the balance sheet. The carrying value of investments is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. On transition to FRS 101, the previous GAAP carrying amount at the date of transition was regarded as deemed cost.

Taxation

Corporation tax payable is provided on taxable profits using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Financial instruments

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument and are derecognised when the company no longer controls the contractual rights that comprise the financial instrument, normally through sale or when all cash flows attributable to the instrument are passed to an independent third party.

Financial assets

The company classifies its amounts due from subsidiaries at amortised cost where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs and are subsequently carried at amortised cost using the effective interest rate method less provision for impairment.

The company recognises a loss allowance for expected credit losses on amounts due from subsidiaries. The methodology used to determine the amount of the expected credit loss is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset.

For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those where the credit risk has increased significantly or determined to be credit impaired, lifetime expected credit losses along with the gross interest income or net interest income, respectively, are recognised.

Borrowings

All loans and borrowings are initially recognised at fair value of the consideration received, net of issue costs. After initial recognition, interest-bearing loans and borrowings are measured at amortised cost using the effective interest method.

Significant accounting judgments and estimates

The preparation of financial statements requires management to make judgments, estimates and assumptions in the application of accounting policies that affect reported amounts of assets and liabilities, income and expense. The company bases its estimates and judgments on historical experience and other factors deemed reasonable under the circumstances, including any expectations of future events. Actual results may differ from these estimates. The company had no significant judgements in the period.

Significant accounting estimates

Impairment of loans to subsidiaries

The company recognised a loss allowance for expected credit losses on amounts owed by group undertakings. The methodology used to determine the amount of credit loss is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset.

A review was carried out on amounts owed by group undertakings for an indication of a significant increase in credit risk. The main criteria used was to compare the risk of default occurring over the expected life of the instrument at the reporting date with the risk of default at the date of initial recognition. This review concluded that given the Greene King Limited group liquidity remained strong a 12-month ECL remained applicable for all unsecured balances whilst secured balances have been provided on remaining length of the loan.

Impairment of investments in subsidiaries

Determining whether the company's investments in subsidiaries have been impaired requires estimations of the investments' value in use. The value in use calculations require the entity to estimate the future cash flows expected to arise from the investments and suitable discount rates in order to calculate present values. The carrying amount of investments in subsidiaries at the balance sheet date was £2,532.9m (2021: £2,559.7m) with net impairment loss of £33.8m (2021: £34.4m).

32 AUDITOR'S REMUNERATION

Auditor's remuneration for the audit of the financial statements was £36,000 (36 weeks ended 3 January 2021: £31,000). The figures for auditor's remuneration for the company required by regulation 5(1)(b) of the Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008 are not presented here as the group accounts comply with this regulation on a consolidated basis.

33 DIRECTORS' REMUNERATION AND EMPLOYEE COSTS

The company has no employees other than directors and the directors are not remunerated through this company. Details of employee costs are given in note 6.

34 INVESTMENTS

	Investments in subsidiaries £m	Loans to subsidiaries £m	Total £m
Cost at 26 April 2020	**2,594.1**	**1,323.5**	**3,917.6**
Additions	-	51.4	51.4
Cost at 3 January 2021	**2,594.1**	**1,374.9**	**3,969.0**
Additions	7.0	0.4	7.4
Disposals	(34.4)	-	(34.4)
Cost at 2 January 2022	**2,566.7**	**1,375.3**	**3,942.0**
Impairment at 26 April 2020	(34.4)	(62.3)	(96.7)
Expected credit losses	-	(5.6)	(5.6)
Impairment at 3 January 2021	(34.4)	(67.9)	(102.3)
Impairment of non-trading subsidiaries	(33.8)	-	(33.8)
Disposals	34.4	-	34.4
Expected credit losses	-	64.7	64.7
Impairment at 2 January 2022	**(33.8)**	**(3.2)**	**(37.0)**
NBV at 2 January 2022	**2,532.9**	**1,372.1**	**3,905.0**
NBV at 3 January 2021	2,559.7	1,307.0	3,866.7
NBV at 26 April 2020	2,559.7	1,261.2	3,820.9

Principal subsidiaries

For a full list of all subsidiaries see note 13.

Interest on amounts owed from subsidiaries accrued at a rate equal to the sum of LIBOR and a margin of 1.0% during the period. The LIBOR has been replaced by SONIA plus a credit adjustment spread with effect from the first interest period commencing on or after 1 January 2022. Interest accrues half yearly and amounts owed from subsidiaries are repayable on demand.

35 DEBTORS

	2 January 2022 £m	3 January 2021 £m
Corporation tax receivable	**1.6**	-
Amounts owed from subsidiaries	**360.5**	230.8
Amounts owed from parent undertaking	**21.9**	12.9
	384.0	243.7

Interest on amounts owed from subsidiaries accrued at a rate equal to the sum of LIBOR and a margin of 1.0% during the period. The LIBOR has been replaced by SONIA plus a credit adjustment spread with effect from the first interest period commencing on or after 1 January 2022. Interest accrues half yearly. Amounts owed from subsidiaries are repayable on demand. Amounts owed from parent undertaking are non-interest bearing. Expected credit losses of £3.2m (2021: £14.4m) have been recognised against the carrying value of amounts owed from subsidiaries. Information about the group's exposure to credit and market risks, and impairment losses for trade receivables is included in note 21.

36 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2 January 2022 £m	3 January 2021 £m
Accruals	**9.5**	3.4
Corporation tax payable	**-**	17.9
Amounts owed to subsidiaries	**1,200.3**	1,262.2
Bank and other loans (note 38)	**1,377.9**	299.8
	2,587.7	1,583.3

Interest on amounts owed to subsidiaries accrued at a rate equal to the sum of LIBOR and a margin of 1.0% during the period. The LIBOR has been replaced by SONIA plus a credit adjustment spread with effect from the first interest period commencing on or after 1 January 2022. Interest accrues half yearly and amounts owed to subsidiaries are repayable on demand.

37 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2 January 2022 £m	3 January 2021 £m
Bank and other loans (note 38)	**298.7**	1,263.3
	298.7	1,263.3

38 LOANS AND OTHER BORROWING

	2 January 2022			3 January 2021		
	Within one year £m	**After one year £m**	**Total £m**	Within one year £m	After one year £m	Total £m
Bank overdraft	**1.9**	**-**	**1.9**	-	-	-
Bank loans:						
– Revolving loans	**-**	**218.7**	**218.7**	-	203.6	203.6
– Term loans	**-**	**80.0**	**80.0**	-	79.7	79.7
Commercial Paper	**-**	**-**	**-**	299.8	-	299.8
Other loans						
– Revolving loans from related parties	**1,376.0**	**-**	**1,376.0**	-	980.0	980.0
	1,377.9	**298.7**	**1,676.6**	299.8	1,263.3	1,563.1

As explained in note 20, the company has available revolving credit facilities and a term facility totalling £2,100m of which, £1,676m was drawn down at the year end. In April 2022 the revolving loan from related parties was extended, see further details provided in note 42.

Bank loans due after one year are repayable as follows:	**2 January 2022 £m**	3 January 2021 £m
Due between two and five years	**298.7**	1,263.3
	298.7	1,263.3

Although any individual draw-downs are repayable within 12 months of the balance sheet date, immediate renewal is available until the maturity of the facilities in February 2025 and March 2025. The drawn amount under the term loan is repayable on maturity of the facility in February 2025.

Other loans are repayable as follows:

Bank loans due after one year are repayable as follows:	**2 January 2022 £m**	3 January 2021 £m
Due within one year	**1,376.0**	-
Due between two and five years	**-**	980.0
	1,376.0	980.0

Drawn amounts are repayable on maturity of the facility in November 2022. The group has the ability to prepay any drawn amounts and any amounts prepaid may be reborrowed prior to the maturity of the facility.

39 ALLOTTED AND ISSUED SHARE CAPITAL

Allotted, called-up and fully paid	**2 January 2022 £m**	3 January 2021 £m
Ordinary shares of 12.5p each		
312.1m shares (2021: 312.1m)	**39.0**	39.0

Further information on share capital is given in note 23.

40 RESERVES

Share premium account

Share premium represents the excess of proceeds received over the nominal value of new shares issued.

Merger reserve

The merger reserve represents capital contributions received and amounts recognised on the acquisition of Spirit Pub Company Limited being the difference between the value of the consideration and the nominal value of the shares issued as consideration.

Other reserve

The other reserve consists of £3.3m (2021: £3.3m) capital redemption reserve arising from the purchase of own share capital and £90.6m (2021: £90.6m) arising from transfer of revalued assets to other group companies and will only be realised when the related assets are disposed of by the group.

41 CONTINGENT LIABILITIES

The company has provided a guarantee to the Greene King Pension Scheme in respect of the payment obligations to the scheme of its subsidiary Greene King Services Limited. In the event that these obligations are not met the company will become liable for amounts due to the pension scheme; such an event is not considered probable.

Details of the group's pension schemes are included in note 8.

42 POST BALANCE SHEET EVENTS

Intercompany loans

On 19 January 2022, Greene King Limited agreed to loan facilities to subsidiary entities as follows:

- £25m – Greene King Property Development Limited
- £10m – Greene King Residential Investments Limited
- £30m – Greene King Commercial Investments Limited
- £15m – Greene King CH Investments Limited

Revolving credit facility from CKA Holdings UK Limited

On 4 April 2022 the £1,500m revolving credit facility with CKA Holdings UK Limited due to expire in November 2022 was extended to November 2024. There were no other changes to the facility as part of this extension.

43 ULTIMATE PARENT COMPANY

At 2 January 2022, the directors consider the immediate parent undertaking and immediate controlling party of Greene King Limited to be CK Noble (UK) Limited, a company incorporated in the UK.

The ultimate parent undertaking and ultimate controlling party is CK Asset Holdings Limited, a company registered in the Cayman Islands with its headquarters and principal place of business in Hong Kong. The company's shares are listed on the Main Board of the Hong Kong Stock Exchange.

CK Asset Holdings Limited is the smallest and largest group which includes the results of the company and for which group financial statements are prepared. Copies of its group financial statements are available from 7th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong.

ALTERNATIVE PERFORMANCE MEASURES

The performance of the group is assessed using a number of alternative performance measures (APMs).

The group's results are presented both before and after adjusting items. Adjusted profitability measures are presented excluding adjusting items as management believe this provides useful additional information about the group's performance and aids a more effective comparison of the group's trading performance from one period to the next and with similar businesses. Adjusted profitability measures are reconciled to unadjusted IFRS results on the face of the income statement with details of adjusting items provided in note 5.

In addition, the group's results are described using certain other measures that are not defined under IFRS and are therefore considered to be APMs. These measures are used by management to monitor ongoing business performance against both shorter-term budgets and forecasts but also against the group's longer-term strategic plans.

APMs used to explain and monitor group performance are found below, including a reconciliation to the nearest measure prepared in accordance with IFRS:

A FREE CASH FLOW

	Source	**2021 £m**	2020SY £m
EBITDA	Cash flow statement	**156.3**	(77.5)
Working capital and other movements	Note 25	**80.1**	(73.3)
Add back: adjusting items	Note 25	**9.2**	11.6
		245.6	(139.2)
Tax payments	Cash flow statement	**(0.2)**	10.4
		(0.2)	10.4
Interest received	Cash flow statement	**1.2**	0.1
Interest paid[1]	Cash flow statement	**(102.7)**	(67.5)
Add back: adjusting interest	Cash flow statement	**(1.2)**	-
		(102.7)	(67.4)
Core capex	Note B below	**(68.0)**	(36.9)
Repayment of lease liabilities[1]	Note 19	**(70.3)**	(21.3)
Net repayment of trade loans	Cash flow statement	**2.8**	1.1
Free cash flow		**7.2**	(253.3)

[1] £21.5m (2021: £14.5m) of interest and finance costs paid on lease liabilities have been re-presented to show the total amounts paid on leases in line with note 19 separately from the interest incurred.

B CAPITAL INVESTMENT

	Source	**2021 £m**	2020SY £m
Core capex	Non-GAAP	**68.0**	36.9
Brand swap and new site investment	Non-GAAP	**14.8**	15.9
Purchase of property, plant and equipment	Cash flow statement	**82.8**	52.8

C LIKE FOR LIKE SALES (LFL)

LFL sales include revenue from the sale of drink, food and accommodation but exclude machine income. LFL sales performance is calculated for core sites that were trading in equivalent weeks in both 2019 and 2021.