GREENE KING LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE 36 WEEKS ENDED 3 JANUARY 2021

REGISTERED NUMBER: 00024511

COMPANY INFORMATION

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GREENE KING LIMITED

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STRATEGIC REPORT

GREENE KING READY TO REOPEN AND PLAY ITS PART IN KICKSTARTING THE UK ECONOMY

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. All numbers stated are compared to the 52 weeks to 26 April 2020 and unaudited proforma figures for the 36 weeks to 5 January 2020.[1]

Financial performance was significantly impacted by COVID-19. All pubs were closed for 14 weeks in the period due to national lockdowns, with onerous restrictions in place when pubs were open and significant costs while not trading.

- Group revenue fell to £562.1m; down 70.7% as compared to the 52-week period and down 63.4% as compared to the proforma 36-week period.
- Statutory loss before tax of £248.6m (2020: £273.0 loss), after a net credit of £30.9m for exceptional costs and non-underlying items (2020: £380.6m of costs).

COVID-19: impact and response

- In total, pubs were closed for 14 weeks of the 36-week trading period due to national lockdowns, with significant closures regionally due to local lockdowns at other times. Restrictions such as the 10pm curfew and the need to buy a substantial meal to purchase alcohol significantly impacted trading in periods when pubs were open.
- Brewing maintained for off trade outlets; some pubs continued to operate, where possible, offering takeaway via Deliveroo and Just Eat as well as click and collect.
- To support and protect jobs, the business used the government's Coronavirus Job Retention Scheme, and furloughed up to 99% team members at different times during the period, topping up salaries to 80% for those above the Scheme's cap. A Team Member Support Fund of £660,000 was launched, providing grants to team members facing financial hardship.
- The group accessed further government support with a business rates holiday and various grants schemes that were made available although these were subject to State Aid limits. Since the period end, we will receive limited benefit from a further business rate reduction offered by the government; once the £2m cap is reached we will pay full business rates soon after fully reopening on 21 June 2021.
- Up to 90% rent concessions provided to tied pub tenants to support them throughout periods of closure with additional support of free replacement stock for out of date beer and cider. During the period a total of £27m was invested in supporting tenants.
- Continuation, where possible, of corporate social responsibility activities, including donating more than £250,000 of unused food to food redistribution charities and hand sanitiser to charity. Through team member fundraising through September and October, more than £1m was raised for Macmillan Cancer Support.
- Greene King is focused on navigating the period until full reopening on 21 June 2021. Thanks to its strong foundations and the supportive ownership of CKA, the business is well-placed to emerge from COVID-19 and play its part in kickstarting the UK economy.

Focus on path to reopening and post-pandemic strategy

- On 12 April 2021 the group re-opened 452 pubs within its managed estate, with a further 108 opening on the 29 April 2021. In accordance with the current government roadmap the group will look to open the vast majority of the remaining estate in England on 17 May 2021 for indoor trading with restrictions, ahead of unrestricted trading from 21 June 2021. In Scotland, 50 pubs opened on 26 April, with a further 69 set to open in May, if the roadmap allows. In Wales, 12 pubs reopened for outdoor trading on 26 April.
- The group continue to work closely with all its leased and tenanted partners to provide ongoing support for the safe re-opening of sites. As at the date of these accounts circa. 60% of our tenanted and leased pubs were open.
- Outdoor-only trading in a limited number of sites is heavily influenced by the unpredictable spring weather and means significantly reduced capacity. The business is focused on trading profitably over the summer providing timings of the government roadmap do not slip and all restrictions are lifted from 21 June.
- Focus is on leveraging demand throughout the second half of the year to strengthen Greene King's financial position and enabling it to once again invest in jobs, its estate, its people and customer experience.

Capital structure remains resilient

- The group's liquidity remains strong, reflecting the resilience of the group's capital structure. Steps taken during the period to improve the liquidity position including the upsizing of the revolving loan facility provided to the group by CKA Holdings UK Limited, a fellow subsidiary of CKA, to £1.5bn and increased financial flexibility from the parent company. The business utilised the government's COVID Corporate Financing Fund, borrowing £300m which was repaid in full by 31 March, in line with the terms of the loan.

[1] Proforma figures for 36 weeks ended 5 January 2020 from management accounts

PERFORMANCE SUMMARY

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. All numbers stated are compared to the 52 weeks to 26 April 2020 and proforma figures for 36 weeks to 5 January 2020.

Comparability to prior performance is significantly limited as during the 36 weeks ended 3 January 2021 hospitality sites in England were closed under national lockdown twice, for the first ten weeks of the reporting period until early July 2020 and then a further 4 weeks in the autumn. There were further weeks of restricted trading before and after the autumn closures. This interruption adversely affected revenue and operating profit in all three reporting segments: Managed Division, Tenanted and Leased, and Brewing & Brands.

Group revenue was down 70.7% (36-week proforma: down 63.4%) to £562.1m, with revenues down in all three reporting segments. The group made an operating loss before exceptional and non-underlying items of £185.8m, down 173.4% (36-week proforma: down 173.1%).

Group underlying net interest costs fell by 35.6% to £93.7m, or 8.2% compared to the 36-week proforma, largely as a result of the refinancing of the Greene King A1 and A3 secured bonds and the Spirit A2 secured bond in March 2020.

Group loss before tax, exceptional and non-underlying items was £279.5m in the 36-week period to 3 January 2021 (£107.6m profit in the 52 weeks ending 26 April 2020). The group made a statutory loss before tax of £248.6m (52 weeks ending 26 April 2020: £273.0m loss).

During the period the group received government support totalling £159.7m: £136.0m of furlough grants for job retention, £23.0m for Eat Out to Help Out to support trading during August 2020 and £0.7m of State Aid grants. In addition, the group continued to defer the January to March 2020 quarterly VAT liability in accordance with the latest Government guidance and also benefitted from the temporary reduction in the VAT rate to 5% for certain supplies in the hospitality sector.

Managed Division revenue was down 71.2% to £448.2m (36-week proforma: down 64.0%). No sites were fully open until Monday 6 July 2020, although there were several maintaining takeaway and delivery services to this point. The Government funded Eat Out to Help Out scheme operated throughout August, but restrictions started to be reintroduced in September 2020 eventually leading to all English hospitality sites being closed again from 5 November 2020 to 1 December 2020. The few last weeks of the period in December 2020 saw further restrictions and enforced closures, culminating in all English hospitality sites being closed on 30 December 2020. Segment operating loss was £158.6m, down 185.1% from an operating profit of £186.4m (36-week proforma: down 180.2% profit £197.8m).

The Tenanted and Leased Division provided tenants a reduction on rents across the period of up to 90%, whilst product sales have been materially affected by the trading restrictions on hospitality venues. Revenue was down 74.2% (36-week proforma: down 67.6%) to £40.8m. Segment operating profit of £0.9m was down 98.7% (36-week proforma: down 98.4%).

Brewing & Brands was the only division to continue trading throughout the period, albeit at times only to off-trade outlets during the periods of closure for hospitality venues and the export market. Revenue was down 64.3% (36-week proforma: down 55.1%) to £73.1m with total beer volume down 56.5% vs the 36-week proforma. Segment operating loss of £18.1m was down 335.1% (36-week proforma: down 247.2%).

Net Disposal proceeds were £7.7m, being generated from the disposal of 12 non-core pubs and other various non-pub properties. £15.9m was spent on two lodge accommodation sites connected to existing pubs in our Managed Division, one pub that will be developed into one of our existing managed brands and on the freehold of one further site that the group operate as a Managed pub. In addition, the group purchased from other subsidiaries in the CKA group the freehold or long leasehold of 137 sites that were already leased for £373.2m consideration.

The current estate valuation indicates a market value of £4.3bn, versus a book value of £3.7bn (see note 13).

COVID-19

The COVID-19 pandemic in the United Kingdom ("UK") has been the defining issue during the period under review and has continued to have an unprecedented and critical impact on the leisure and hospitality sector and therefore on the group. At the start of the period all pubs were closed during the first national lockdown with hospitality businesses only permitted to reopen from 4 July 2020. Trading over the summer was boosted by the government's Eat Out to Help Out scheme which ran during August, giving customers a 50% discount off food and/or non-alcoholic drinks purchased for consumption on the premises subject to a maximum of £10 per person.

In September 2020 a 10pm curfew was introduced in England, and then in October the government introduced a tiered system of restrictions, with the highest tier pubs (tier 3) only permitted to sell alcohol with a table meal. On 5 November a second national lockdown in England was introduced and continued for 28 days, with all pubs being closed during this period. Further restrictions were introduced during December, with a fourth tier added on 19 December 2020 covering large parts of the country, and pubs in the top two tiers were required to close except for takeaway. By the year end all of the group's pubs were closed to customers. During this period the devolved administrations in Scotland and Wales introduced their own, differing sets of restrictions, with lockdowns and various levels of restrictions operating throughout the period.

In total, pubs were closed for 14 weeks of the 36-week trading period due to national lockdowns.

Prior to escalation of the virus, and the period under review, we set up a cross functional management team to deal with the crisis. It was agreed that all decisions should be taken with a view to complying with the following core objectives:

1. To ensure the financial stability and survival of our business;

2. To position us to exit this crisis as the strongest in the sector and be ready to bounce back when normal life resumes; and

3. As far as possible, to protect our team members/partners from the worst impact of the crisis – both financially and from a welfare perspective.

Responses to the crisis

The key elements of our response to the crisis throughout the period have included: -

- Managing the safe and effective temporary closure of our managed pubs as and when required, including cleaning, removal of cash and perishable products, securing the premises, arranging regular checks and security through the lockdown and safe close down of all equipment ready for reopening.
- Managing the safe reopening of our pubs as and when the lockdown restrictions were lifted. We developed our Pub Safe promise for our team members and customers to give them confidence that our pubs were safe to visit. The promise included the following five commitments:
  - Safe socialising
  - Looking after our team, so they can look after our customers
  - Minimise contact
  - Hand sanitising and hygiene
  - Pub Safe Monitor
- As part of its commitment to this promise we invested £7 million in Pub Safe related processes, including protective measures for teams and customers. All of our team members completed comprehensive training ahead of returning to work and investment was also made in additional team members to keep hygiene standards high.
- We developed processes across many of our pubs to facilitate take-home and delivery offers for our customers and ran these in a number of our pubs where it was viable to do so. From reopening to 3 January 2021, we expanded our takeaway offer significantly to over 1,447 sites. In addition, we also saw our delivery offering expand to over 1,385 sites.
- Regrettably notwithstanding our efforts to ensure our pubs remained viable, we took the decision to close 79 pubs, with a third of them being closed on a permanent basis, with the remainder closed until further notice. This resulted in 607 redundancies and 285 successful redeployments within Greene King.
- We continued to provide business-critical support functions such as HR, payroll, finance and shared services. Our two support centres in Bury St. Edmunds and Burton on Trent were largely closed throughout the period under review. For those working, we ensured they we were able to work both flexibly and remotely without the need to be in the office. Following government guidance, we briefly opened our offices in the autumn and implemented a range of safety measures to ensure that our team members could work in a COVID secure environment.
- To support and protect jobs, we used the government's Coronavirus Job Retention Scheme, and furloughed up to 99% of our team members at different times during the period, topping up salaries to 80% for those above the Scheme's cap. No changes were made to other cash or non-cash contractual benefits such as car allowance or pension contributions.
- During the first national lockdown the executive board took a voluntary reduction in salary of 30% for the duration of the crisis, while Nick Mackenzie, chief executive took a 50% salary reduction. Savings from these salary sacrifices, and company contributions enabled a £660,000 Team Member Support Fund to be established, allowing team members suffering financial hardship to apply for grants of up to £400 for families, with lower amounts for couples and single people. The Fund has been re-established in 2021 for team members to access during the third national lockdown with a further £500,000 being contributed.
- We established a two-way comprehensive communication plan to keep all our team members 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. Engagement has been high and feedback from team members on this process has been strong.
- Supporting and looking after our team members' wellbeing during the pandemic has been a high priority. Wellbeing programmes were launched throughout the organisation, with an emphasis on those in lockdown and on furlough, alongside those team members continuing to work. Wellbeing posts, podcasts and webinars have taken place, as well as financial wellbeing support in the form of early access to pay and employee loans. Our Employee Assistance Programme has enabled team members to have online in-the-moment support, and our mental health first aiders to assist both line managers and team members.
- Our brewing and distribution teams made changes to the operations of our breweries to ensure appropriate COVID secure and social distancing and to meet the changing demands of our customers. Significant planning went into the arrangements for the collection and 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.
- We continued where possible our corporate social responsibility activities, including donating more than £250,000 of unused food to local food banks and national food redistribution charities, donating hand sanitiser to charities, and IT equipment to local school children to support home-schooling. Since 2012 our team members and customers have raised a phenomenal £8 million for our charity partner Macmillan Cancer Support with £1.1 million raised during September and October 2020, as well as supporting the charity by volunteering as telephone buddies. For further information please see the section on Corporate Social Responsibility.
- Financially we have sought assistance from our parent company in the form of additional loans, with an additional £750m facility being put in place in the period. In addition, we also borrowed £300m under the government's COVID Corporate Financing Facility. This was repaid on 31 March 2021.
- Alongside these we introduced strict cash preservation measures including obtaining payment deferral with suppliers and landlords, postponement of all non-essential capex and operational expenditure, suspension of all marketing activity and deferral of non-essential activity.
- We used the available government support to the industry in the form of business rates relief, VAT deferrals, and the Coronavirus Job Retention Scheme.

- Our two securitisation vehicles were unable to meet certain of their financial covenants during the period due to the closure of our pubs. We sought and obtained a waiver of those covenants from the bondholders in the Greene King securitisation and sought but did not obtain one from the Spirit debenture bondholders. As a result, the debenture remains in a state of technical default at the year-end, however, the directors believe it's highly improbable that a default will be enforced.
- We have continued to help our tenanted pubs through the ongoing COVID-19 pandemic by supporting them with rent concessions, deferred rent payments and extended repayment plans. Where lockdowns have been imposed by the UK government, rent concessions of up to 90% have been extended for all tied pub tenants until they are legally able to re-open, at which point they will be reviewed. We continue to provide other support by way of beer returns and credits, information on how to access additional grants made available by government, and we promote the Licensed Trade Charity, which provides a range of complementary resources including access to mental health and wellbeing counsellors.
- We continued to work on various strategically important projects to ensure we would be able come out of the crisis in the best possible position. We also continued work on the roll out of our new purpose and values, further details of which can be found in the Corporate Social Responsibility section.
- 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.

Impact on the financial statements

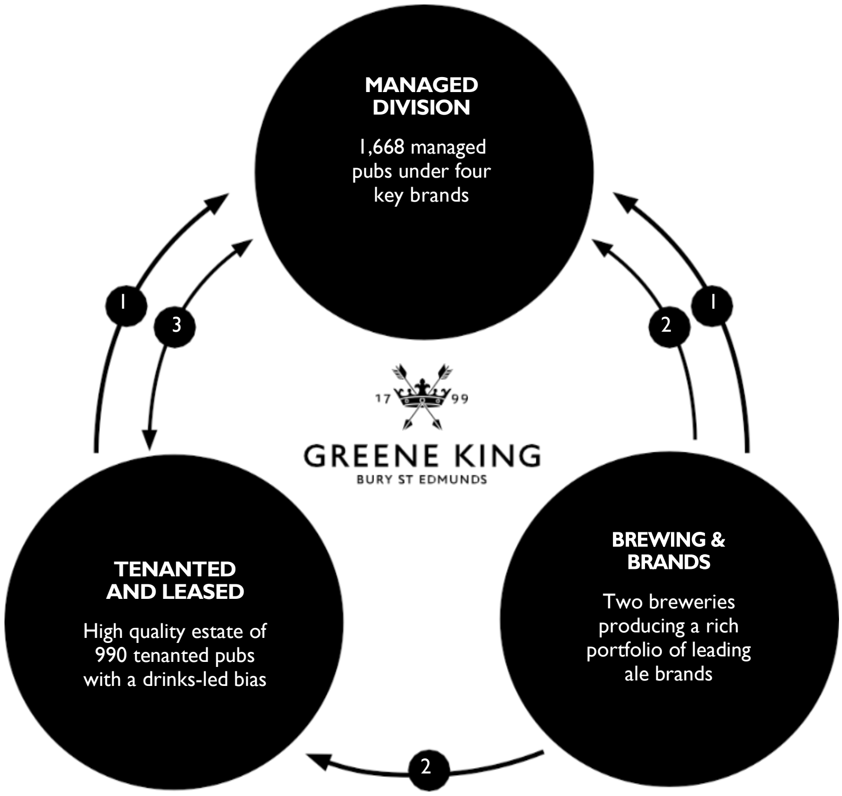
COVID-19 has had a material impact on the financial statements for the period ending 3 January 2021:

- The various lockdowns which required the closure of pubs and the tiered restrictions under which many of our pubs were required to operate throughout the period, including in particular the 10pm curfew, had a material impact on revenue, profit and free cash flow for the period to 3 January 2021.
- During the period the group received government support totalling £159.7m: £136.0m of furlough grants for job retention, £23.0m for Eat Out to Help Out to support trading during August 2020 and £0.7m of State Aid grants. In addition, the group continued to defer the January to March 2020 quarterly VAT liability in accordance with the latest Government guidance and also benefitted from the temporary reduction in the VAT rate to 5% for certain supplies in the hospitality sector.
- After the initial closure of the pubs in the March 2020, the directors sought to obtain approval from bondholders of certain waivers and on 15 July 2020 obtained a waiver in respect of the Q1 FCF DSCR covenants relating to the Greene King securitisation bonds. The securitisation passed the covenants in relation to Q2 and Q3. In terms of the Spirit debenture 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 debenture remains in a state of technical default at the period-end; however, the directors believe it's highly improbable that a default will be enforced. As a consequence, the debt has been re-classified as a current liability.
- The directors have made a significant judgement in respect of the continued availability of the Greene King securitisation bonds in the knowledge that it could be reliant upon a further waiver of debt covenants. This significant judgement represents a material uncertainty that may cast significant doubt on the group's ability to continue as a going concern. Further details can be found in the going concern section in the directors' report.

OUR BUSINESS MODEL

What we do

Our integrated business model is designed to drive long-term growth and cash generation.



1. Cash generation reinvested into Managed Division estate to drive growth and support a consistent five to six-year capex cycle.
2. Our Brewing & Brands business sells own and third-party beers to our managed and tenanted pubs, driving far-reaching brand recognition and ensuring the best offer for our customers.
3. Pubs can be transferred between operating models, from Managed Division to Tenanted and Leased or vice versa, to drive improved profit per pub.

How we generate revenue

MANAGED DIVISION

- the sale of food, drink and revenue from accommodation and gaming machines

TENANTED AND LEASED

- rental income from our properties and income from the supply of food and drink

BREWING & BRANDS

- sales from the distribution of own and third-party drink to external customers

OUR MARKETS

Our core markets are the UK eating out and drinking out markets, in which we compete with our circa. 2,700 managed, tenanted and leased pubs. We also compete in the UK ale market through brewing our industry-leading ale portfolio and have a foothold in the UK staying out market through accommodation at our pubs, and in our hotels and lodges.

Eating and drinking out

At the beginning of the year there were over 300,000 eating and drinking out outlets in the UK. All were closed in March 2020 as a result of the COVID-19 pandemic. It is, yet, unclear what the longer-term impact of the COVID-19 crisis will be on the hospitality sector. However, during the last 9 months there have already been several high-profile cases of companies going into some form of administration. It is also unclear whether and if so, how consumer behaviour will change following the COVID-19 pandemic and the easing of the lockdown restrictions.

In terms of the overall eating and drinking out market, the CGA's Trading Index market read was interrupted for much of the period due to widespread closures enforced by national lockdowns and the tiering system. However, their total like-for-like read of the overall Eating and Drinking Out market (in trading conditions only) for the period from 27 April 2020 to 2 January 2021 was -44.6%, with Greene King outperforming this by 6.6pts.

CGA's Trading Index captured the Total Pubs market at -40.8% total like-for-like for the same period of time, with Greene King outperforming this by 2.8pts. Greene King was broadly in line with the Pubs market in terms of drink sales (-0.4pts behind), but some way ahead (+8.2pts) in terms of food sales.

The year ahead is expected to be turbulent for the hospitality sector. UK Hospitality recently highlighted (as part of its evidence to the Treasury Select Committee Inquiry into the Economic Impact of Coronavirus) that 4 in 10 sector businesses stated that they would fail by mid-2021 based on the stated levels of government support as of January 2021. The pub market continues to resist takeaway and delivery in lockdown conditions and latest estimates from HDI (for the week ending 27 January 2021) suggest only 16% of pubs and bars were operating a takeaway or delivery proposition, with this almost entirely concentrated within the Leased and Tenanted market.

We believe that there will be opportunities for dynamic pub operators such as Greene King to benefit from the market turmoil. Prior to the lockdown we were already working on a range of strategic projects designed to ensure that we were well placed to meet changing consumer demand, with increased focus on experiential offers, healthy food and drink options and sustainability, as well as drink premiumisation (as demonstrated by the growth of gin-based drinks) and digital innovation. A key part of the company's plans has been to ensure consumers have ever greater choice and convenience through delivery and mobile payment platforms. These will sit alongside the ongoing focus on improving the value, service and quality of our offers, targeting volume-led sales growth and improving brand loyalty.

The ale market

As a direct consequence of the COVID-19 pandemic, the total beer market declined by -14.5% in the UK, whilst the ale market declined by more than double at -32%. Ale declined by twice the rate of beer due to its heavy reliance on the pub sector, which spent a significant period of 2020 closed. Conversely, the Off-Trade beer market grew by +19% (+21% for ale) as consumers switched from out of home consumption to in home. Due to both local and national lockdowns, the On-Trade saw a decline in ale of -58% whilst cask ale declined just ahead at -59%. It should be noted that the cask ale category, with it being a solely On-Trade product, was the hardest hit alcohol category resulting from the pub closures (BBPA SVS MAT to Dec 2020).

As the lockdown restrictions are eased, we will continue to promote our beers to consumers focussing on their heritage and provenance, as well as our innovative culture and newer craft-style beers so that we can meet the needs of consumers across all drinking occasions.

UK staying out market

We compete in the UK provincial staying out market and offer great value and convenience to guests staying at our pubs, hotels and lodges. Although many were closed during the UK government's lockdown to manage the COVID-19 pandemic, we believe that the combination of pubs and adjacent rooms is an attractive guest proposition in the context of both business and leisure travel. We have 3,358 bedrooms in our estate and see scope for this to grow in the future.

DIVISIONAL PERFORMANCE

MANAGED DIVISION

	F20SY 36 weeks	F20 52 weeks	% change from F20	F20 36-week Proforma	YOY Change
No. of pubs at year end	1,668	1,672	-0.2%	1,676	-0.5%
Revenue	£448.2m	£1,556.3m	-71.2%	£1,246.3m	-64.0%
EBITDA[1]	£(72.5)m	£315.2m	-123.0%	£288.1m	-125.2%
Operating (loss)/profit[1]	£(158.6)m	£186.4m	-185.1%	£197.8m	-180.2%

1. Adjusted measures exclude the impact of exceptional and non-underlying items, for details see APMs on page 97

Revenue in the Managed Division was down 71.2% (36-week proforma down 64.0%). Like-for-Like ("LFL") sales has not been measured as there have not been any pubs traded for the entirety of the 36 weeks of the reporting period. Operating loss[1] was £158.6m, down 185.1% from an operating profit[1] of £186.4m (36-week proforma: down 180.2% profit £197.8).

No sites were fully open until Monday 6 July, although there were several maintaining takeaway and delivery services to this point. The Government funded Eat Out to Help Out scheme operated throughout August with the group receiving £23m of cash under the scheme, but restrictions started to be reintroduced in September 2020 eventually leading to all English hospitality sites being closed again for 28 days from 5 November 2020. Upon reopening in December, the last few weeks of the year saw further restrictions and enforced closures, culminating in all English hospitality sites closing on 30 December 2020. During this period the devolved administrations in Scotland and Wales introduced their own, differing sets of restrictions, with lockdowns and various levels of restrictions operating throughout the period.

With the COVID-19 impact on trading we implemented the "Pubsafe" programme which increased the levels of staffing with dedicated roles as Door Hosts and Cleaning Monitors, alongside investment across signage, personal protective equipment, screens and training. Across a very difficult trading period we were able to see a significant improvement across a number of our guest measures with TripAdvisor at 4.53 across our Managed business, an improvement of 0.57 vs equivalent period in 2019. Pub Brand Monitor has highlighted that Greene King lunchtime NPS has improved by 17pts to 49%,

Due to the restrictions placed on visiting the pub in 2020, improving the position in the growing market of delivery and takeaway became ever more important. From reopening to the end of the financial year we expanded our takeaway offer significantly to over 776 sites. In addition, we also saw our delivery offering expand to over 273 sites. While a big step forward there is still much more to go after as these sales are only a relatively small percentage of total sales. During the year we also rolled out the Order & Pay app to 1,495 sites (having only previously been available in our Hungry Horse estate) with 24.9% of all sales now being made through the App.

Core capital expenditure of £29.6m was largely limited to that of a maintenance nature with some investment in garden schemes developing outside space.

TENANTED AND LEASED

	F20SY 36 weeks	F20 52 weeks	% change from F20	F20 36-week Proforma	YOY Change
No. of pubs at year end	990	996	-0.6%	1,005	-1.5%
Revenue	£40.8m	£157.9m	-74.2%	£125.9m	-67.6%
EBITDA[1]	£10.4m	£82.0m	-87.3%	£65.9m	-84.2%
Operating profit[1]	£0.9m	£69.0m	-98.7%	£56.7m	-98.4%

1. Adjusted measures exclude the impact of exceptional and non-underlying items, for details see APMs on page 97

In Tenanted and Leased, there is a high-quality portfolio of 990 mainly drink-led pubs. It has historically generated significant and stable cash flow for the group, adds purchasing scale, enhances the Greene King brand and provides flexibility in our estate planning. Revenue was down 74.2% to £40.8m (36-week proforma: down 67.6%). LFL net income has not been measured as there have not been any pubs traded for the entirety of the 36 weeks of the reporting period.

No sites were fully open until Saturday 4 July, although there were several maintaining a takeaway service to this point. The Government funded Eat Out to Help Out scheme operated throughout August, but restrictions started to be reintroduced in September 2020 eventually leading to all English hospitality sites being closed again for 28 days from 5 November 2020. Upon reopening in December, the last few weeks of the year saw further restrictions and enforced closures, culminating in all English hospitality sites closing on 30th December 2020. During this period the devolved administrations in Scotland and Wales introduced their own, differing sets of restrictions, with lockdowns and various levels of restrictions operating throughout the period.

In the past year, the activity in Tenanted and Leased has been dominated by supporting our licensees through the challenges presented by the national lockdown and trading restrictions that have resulted from the COVID-19 pandemic. We are proud of the support we have provided our licensees over the last 12 months and the strength of support has been evidenced in a recent survey of licensees that reported 86% were happy with the support we are providing.

The support we have provided has been extensive and demonstrates the importance of the tied relationship between us and our licensees. The support goes well beyond financial support in the form of rent concessions and product discounts. Our Business Development Managers have worked closely with our licensees throughout to ensure that they understand and are implementing trading restrictions effectively, that they are supported through the opening and closing of pubs to ensure this is done in a safe and effective way and that we are also supporting licensees' wellbeing. The support for licensees has also come from our central support teams through initiatives including free Point of Sale to help with reopening of pubs in July 2020, new online training material and remote workshops delivered through teleconference. The support offered to tenants during the crisis has resulted in very few failures, no higher than a normal year.

Core capital expenditure of £3.5m was largely limited to that of a maintenance nature. Looking forward, there will be continued investment of capital in the leased estate and see this as a key opportunity for income growth

There are 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.

BREWING & BRANDS

	F20SY 36 weeks	F20 52 weeks	% change from F20	F20 36-week Proforma	YOY Change
Revenue[2]	£73.1m	£204.8m	-64.3%	£162.8m	-55.1%
EBITDA[1]	£(10.8)m	£16.1m	-167.1%	£17.9m	-160.3%
Operating (loss)/profit[1]	£(18.1)m	£7.7m	-335.1%	£12.3m	-247.2%

1. Adjusted measures exclude the impact of exceptional and non-underlying items, for details see APMs on page 97
2. Revenue disclosed is entirely in relation to third party customers

Revenue in Brewing & Brands was down 64.3% (36-week proforma down 55.1%). Operating loss[1] was £18.1m, down 335.1% from an operating profit[1] of £7.7m (36-week proforma: down 247.2% profit £12.3m).

Whilst the trading environment proved very challenging in 2020, Greene King continued to invest in brewing brilliant beers and building brands.

Greene King's OBV volume sales declined by -35.2%. Greene King's MAT share remained broadly flat at 9.8% of total ale (and 9.2% of cask ale). Whilst Greene King's Off-Trade sales grew by +1% MAT, with the market growing at over +20%, Greene King lost share, declining from 14.3% down to 12%. Our performance was severely hampered by restricted supply of cans from our third-party suppliers. Greene King outperformed in bottled ale but only enough to mitigate the can losses and not enough to grow share in the category and benefit from the increased demand in the Off-Trade.

We remain focused on increasing brand availability where possible and driving profitable volume growth of our core traditional ale portfolio whilst accelerating the development and sales of our new modern ale portfolio.

Greene King remains the #3 brewer in the On-Trade ale sector at 10.6% volume share, #1 brewer in cask ale with 14.2% share and has two out of the top 5 cask ale brands; Greene King IPA at #2 and Abbot Ale at #4 (source: CGA Oct MAT).

Focus remains on development of our new range of modern beers, with Ice Breaker, our unfiltered pale ale, continuing to be the fastest growing keg brand in 2020.

Our Direct2Customer ecommerce business (the Greene King on-line shop) delivered great sales growth up 950% in the year to £2.1m.

FINANCIAL REVIEW

Income Statement

	36 weeks ended 3 January 2021 £m	52 weeks ended 26 April 2020 £m	Proforma 36 weeks ended 5 January 2020 £m
Revenue	562.1	1,919.0	1,534.8
Adjusted operating (loss)/profit[1]	**(185.8)**	**253.1**	**254.0**
Adjusted net finance costs[1]	(93.7)	(145.5)	(102.1)
Adjusted (loss)/profit before tax[1]	**(279.5)**	**107.6**	**151.9**
Exceptional and non-underlying items	30.9	(380.6)	(29.2)
(Loss)/profit before tax	**(248.6)**	**(273.0)**	**122.7**

1. Adjusted measures exclude the impact of exceptional and non-underlying items, for details see APMs on page 97

Revenue was £562.1m, a decline of 70.7% compared to the 52 weeks ending 26 April 2020 (36-week proforma: down 63.4%), with declines in all three revenue generating segments due to the trading restrictions and enforced closures of hospitality sites. Managed Division revenue was down 71.2% (36-week proforma: down 64.0%) to £448.2m. Tenanted and Leased revenue was £40.8m, down 74.2% (36-week proforma: down 67.6%). Brewing & Brands revenue dropped 64.3% (36-week proforma: down 55.1%) to £73.1m.

Group adjusted operating (loss)/profit by segment

	36 weeks ended 3 January 2021 £m	52 weeks ended 26 April 2020 (F20) £m	% change from F20	Proforma 36 weeks ended 5 January 2020 £m	YOY Change %
Managed Division	£(158.6)m	£186.4m	-185.1%	£197.8m	-180.2%
Tenanted and Leased	£0.9m	£69.0m	-98.7%	£56.7m	-98.4%
Brewing & Brands	£(18.1)m	£7.7m	-335.1%	£12.3m	-247.2%
Corporate	£(10.0)m	£(10.0)m	0.0%	£(12.8)m	-21.9%
Group adjusted operating (loss)/profit[1]	**£(185.8)m**	**£253.1m**	**-173.4%**	**£254.0m**	**-173.1%**

1. Adjusted measures exclude the impact of exceptional and non-underlying items, for details see APMs on page 97

Net interest costs before exceptional and non-underlying items were £93.7m, 35.6% lower than last year and 8.2% lower than the 36-week proforma of £102.1m largely as a result of the refinancing of the Greene King A1 and A3 secured bonds and Spirit A2 secured bond in March 2020.

Loss before tax, exceptional and non-underlying items was £279.5m, which is materially lower than the profit before tax, exceptional and non-underlying items of £107.6m of the 52 weeks ending 26 April 2020 (36-week proforma: £151.9m profit). A statutory loss before tax of £248.6m was incurred (26 April 2020: £273.0m loss), after net impairment reversals of £30.1m (26 April 2020: £284.7m charge) and a credit of £8.7m in relation to COVID-19 (26 April 2020: £45.0m charge).

Tax

The effective rate of corporation tax (before exceptional and non-underlying items) of 19.3% (2020: 19.1%) is 0.3% higher than the UK corporation tax rate of 19.0% due to adjustments for non-deductible expenses and underlying accounting movements on IFRS 16 and Property, Plant & Equipment. This resulted in a tax credit against operating profits (before exceptional and non-underlying items) of £53.9m (2020: £20.5m charge). The exceptional and non-underlying tax charge of £74.9m (2020: £2.3m) is discussed under exceptional and non-underlying 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. £152m (2020: c. £500m). The decrease in tax liability in the year is 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 newly formed Board of Directors of the group, has the objective of ensuring that the group fulfils its obligations as a responsible UK taxpayer.

Exceptional and Non-Underlying Items

Exceptional and non-underlying items was a charge of £43.7m (2020: £382.9m), consisting of a £36.5m credit (2020: £330.7m charge) to operating profit, a £5.6m (2020: £49.9m) charge to finance costs and a net exceptional and non-underlying tax charge of £74.6m (2020: £2.3m). Material items recognised in the year included the following:

1. During the period to 3 January 2021 the group has recognised a net impairment reversal of £30.1m (2020: £284.7m charge), comprising £30.4m (2020: £89.7m charge) net reversal in relation to property, plant & equipment and right-of-use asset, £nil (2020: £194.3m) in relation to Brewing & Brands goodwill, £nil (2020: £0.7m) in relation to brand intangible assets and £0.3m (2020: £nil) charge on other financial assets.
2. A credit of £8.7m (2020: £45.0m charge) in relation to COVID-19. This includes a charge of £5.1m (2020: £11.8m) stock write-offs, net credit of £19.3m (2020: £31.7m charge) on bad debt provisions on both free trade loans as well as trade debt and £5.5m (2020: £1.5m) of direct one-off costs directly attributable to the forced closure and reopening of pubs.
3. The Greene King Limited group previously paid £7.0m of disputed VAT to HMRC in relation to Gaming machines. Due to the strength of the ruling from the First Tier Tribunal regarding this case the group considers the £7.0m recoverable. This has been recognised as income in the period.
4. The £5.6m charge for exceptional and non-underlying finance costs is in relation to amounts recycled from the hedging reserve in respect of settled interest rate swap liabilities (2020: £9.4m). The prior year also included £15.3m loss in respect of the mark-to-market movements in the fair value of interest rate swaps not qualifying for hedge accounting, £22.7m of amounts recycled from hedging reserve in respect of settled interest rate liabilities and £2.5m loss on the settlement of financial liabilities.
5. The exceptional and non-underlying tax charge of £74.6m is primarily in respect of 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 relates to a one-off change in UK Corporation Tax legislation on the utilisation of capital losses. In addition, deferred tax has been recognised in relation to IFRS 16 temporary differences, largely driven by the acquisition of the freehold reversion and subsequent transfer of the IFRS 16 right-of-use asset and lease liability.

Cashflow and Capital Structure

	36 weeks ended 3 January 2021 £m	52 weeks ended 26 April 2020 £m
EBITDA[1]	(77.5)	411.9
Working capital and other movements[2]	(61.7)	(113.2)
Net interest paid[2]	(67.4)	(108.6)
Tax received/(paid)[2]	10.4	(18.7)
Adjusted cash (used)/generated from operations	**(196.2)**	**171.4**
Core capital expenditure[2]	(36.9)	(137.3)
Net repayment of trade loans/ Other non-cash movements[2]	(0.3)	0.3
Repayment of lease liabilities[2]	(21.3)	(83.2)
Free cash flow before dividend	**(254.7)**	**(48.8)**
Dividend[2]	-	(102.6)
Free cash flow	**(254.7)**	**(151.4)**
Net disposal proceeds	7.7	35.1
New build capital expenditure & freehold purchase[2]	(389.1)	(29.0)
Exceptional and non-underlying items/ share issues[2]	(11.6)	(40.2)
Refinancing items and non-cash on IFRS 16 transition	-	(101.4)
Change in net debt	**(647.7)**	**(286.9)**

1. EBITDA represents earnings before interest, tax, depreciation, amortisation and exceptional and non-underlying items

2. Adjusted measures excluding the impact of exceptional and non-underlying items, for details see APMs on page 97

The group has historically been highly cash generative, however the adverse impact of COVID-19 on both trading and working capital flows has been unprecedented. This resulted in cash flows from operations being an outflow of £196.2m (2020: inflow £171.4m). Cash conservation measures have been in place for the entire period. Core capital expenditure was limited to that of a maintenance nature and some development of outside space in managed sites. No dividend has been proposed or paid. Net disposal proceeds of £7.7m were generated from 12 non-core pubs. The investment of £15.9m in new builds, the acquisition and refurbishment of single sites and the acquisition of one freehold of a pub we operate is a reflection of the measures in place to conserve cash within the larger CKA group. In addition, the group purchased from other subsidiaries in the CKA group the freehold or long leasehold of 137 sites that were previously leased for £373.2m consideration, the funding for which was provided by the CKA group.

During the year the group took steps to improve its liquidity position in light of the ongoing COVID-19 pandemic. In July 2020 the group issued a note under the joint HM Treasury and Bank of England COVID Corporate Financing Facility (CCFF) with a principal amount of £300m, which matured on 31 March 2021. In November 2020 the revolving loan facility provided to the group by CKA Holdings UK Limited, an indirect intermediate parent company with which the group shares the same ultimate parent, was upsized by £750m to £1.5bn.

In order to support the 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 £1,820m revolving loan facilities, which were £1,185m drawn at the year end, an £80m term loan, a £300m note issued under the CCFF and two long-term asset-backed financing vehicles.

At the year end, the Greene King securitisation had secured bonds with a group carrying value of £1,360.5m (2020: £1,387.5m) and an average life of eight years (2020: nine years), secured against 1,485 pubs (2020: 1,491 pubs) with a group property, plant & equipment carrying value of £2.0bn (2020: £2.0bn). The Spirit debenture had secured bonds with a carrying value of £99.8m (2020: £100.1m) and an average life of ten years (2020: eleven years), secured against 530 pubs (2020: 537 pubs) with a group property, plant & equipment carrying value of £0.5bn (2020: £0.5bn).

The Greene King securitisation breached its FCF DSCR covenant in respect of the July 2020 covenant test date, resulting in a borrower-level event of default. The group obtained a bondholder waiver in respect of this breach and certain other connected events of default. The financial covenants for the Greene King securitisation were met in respect of the October 2020 test date and January 2021 test date and accordingly as at the year-end no further events of default had occurred.

As a consequence of the COVID-19 pandemic, the Spirit debenture breached its Free Cash Flow Debt Service Coverage Ratio (FCF DSCR) covenants in respect of the July 2020, October 2020 and January 2021 covenant test dates, 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. This gives the trustee of the Spirit debenture the ability at the ultimate direction of bondholders to accelerate the outstanding debt. No such acceleration had taken place as of the year-end.

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 4.1% from 5.5% last year, and at the year-end 95.2% of the group's net debt was at a fixed rate. The Greene King secured vehicle had a FCF DSCR of 1.2x at the year end, giving 8% headroom to the covenant limit of 1.1x. The Spirit debenture vehicle had a FCF DSCR ratio of -4.0x, which is below the covenant limit of 1.3x.

Overall, the group's net debt increased in the year by £647.7m to £2,877.9m.

Balance sheet

	3 January 2021 £m	26 April 2020 £m
Goodwill and other intangibles	**913.4**	915.0
Property, plant and equipment	**3,668.7**	3,496.9
Post-employment assets/(liabilities)	**48.3**	51.8
Net debt	**(2,877.9)**	(2,230.2)
Derivative financial instruments	**(161.2)**	(162.6)
Trade and other payables	**(223.2)**	(292.5)
Net IFRS 16 liability	**(123.6)**	(283.2)
Other net assets/(liabilities)	**118.7**	133.9
Net assets	**1,363.2**	1,629.1
Share capital and premium	**308.4**	308.4
Reserves	**1,054.8**	1,320.7
Total equity	**1,363.2**	1,629.1

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 3 January 2021, there was an IAS 19 net pension asset of £48.3m representing a reduction of £3.5m since 26 April 2020. The closing assets of the group's two pension schemes totalled £993.3m and closing liabilities were £945.0m compared to £923.2m and £871.4m respectively at the previous year end. Included in the remeasurement are key assumptions relating to the discount rate of 1.4% (2020: 1.7%), RPI inflation of 2.9% (2020: 2.5%) and CPI inflation of 2.1% (2020: 1.7%). Total cash contributions in the period was £3.0m.

In October 2018, the High Court ruled on the Lloyds Bank GMP inequality case. In response to this, an allowance of £4.9m was included within the company's 28 April 2019 accounts. The company continues to work alongside the trustees of the scheme to agree an appropriate equalisation approach as prescribed by the ruling, however no formal decision has been taken. As a result, the previous estimate remains.

On 20 November 2020, the High Court handed down a further judgment, stating that pension schemes should pay uplifts in respect of members who had transferred benefits out in the past (back to 17 May 1990), where those benefits were not equalised in line with the 2018 judgment. An estimate of the potential costs has been assessed and an additional liability of £0.7m has been recognised as a past service cost, consistent with the treatment in 2019.

Dividend

There is no dividend proposed by the board. In the prior year, prior to the acquisition of the company by CKA, a dividend of 24.4p per ordinary share, being the final dividend for the 52 weeks ended 28 April 2019, was paid. A further £27.0m interim dividend was paid to the company's sole shareholder in January 2020. The directors did not recommend the payment of a final dividend for the 52 weeks ended 26 April 2020.

Key Performance Indicators

Due to the material interruption in business trading as a result of the COVID-19 pandemic, the group's standard KPIs have not been used to monitor and assess performance during the reporting period. Decision-making has largely been 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. At the year-end the group had unutilised facilities totalling £635m and the Greene King securitisation FCF DSCR was 1.2x compared to a 1.1x covenant requirement.

Existing KPIs have been measured, where possible to do so, on the same basis as in previous financial periods and there have been no changes to methodology of collection or manner of calculation, whether driven by COVID-19 or otherwise. Those that were not possible to measure for the same time period as previously, or at all, have been noted.

Return on Investment (ROI) (%)[4]

Summary

We assess projected and actual investment returns to ensure that we continue to focus capital expenditure on areas that generate the highest possible sustainable returns. . The KPI was not measured in the period due to COVID-19.

Definition

Return on investment across our core pub businesses. Calculated as the average incremental increase in pub EBITDA post investment divided by the total core capex invested in completed developments.

2020SY	n/a%[1]
2020	24.5%[1]
2019	35.8%

Return on Capital Employed (ROCE) (%)[4]

Summary

We monitor return on capital employed in comparison to our overall weighted average costs of capital. ROCE for the financial year is (4.6%).

Definition

Return on capital employed is calculated by dividing annualised pre-exceptional operating profit by periodic average capital employed. Capital employed is defined as total net assets excluding deferred tax balances, derivatives, post-employment liabilities and net debt.

2020SY	(4.6)%[1]
2020	6.1%[1]
2019	8.5%

Free Cash Flow (£m)[4]

Summary

The group has a strong record of organic cash generation however COVID-19 has driven a material net cash outflow. During the financial period the group's free cash flow was an outflow of £(254.7)m.

Definition

EBITDA less working capital and non-cash movements (excluding exceptional 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.

2020SY	£(254.7)m[1]
2020	£(151.4)m[1]
2019	£86.1m

Employee Engagement Score (%)

Summary

The survey was taken in conjunction with a new partner this period, Willis Tower Watson, and results may not be comparable to previous periods.

Definition

The proportion of respondents who selected "I feel engaged and committed at present" as the statement that most accurately reflects their current career intentions.

2020SY	69.0%
2020	n/a[1]
2019	62.0%

Managed Division Like-for-Like Sales (%)

Summary

We monitor LFL sales in order to understand the performance of our estate excluding the impact of new sites and disposals. LFL sales has not been measured as there have not been any pubs traded for the entirety of the 36 weeks of the reporting period.

Definition

Managed Division LFL sales include revenue from the sale of drink, food and accommodation but exclude 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.

2020SY	n/a[2]
2020	-13.0%*
2019	2.9%

Managed Division Net Promoter Score (NPS) (%)

Summary

We monitor NPS in order to track customer satisfaction. The KPI was not measured in the period due to COVID-19.

Definition

The percentage of responses where we score 9 or 10 (out of 10) less the percentage of responses where we score 0 to 6 (out of 10) to the statement "I am likely to recommend this pub to a friend and/ or relative."

2020SY	n/a[1]
2020	67.1%
2019	62.5%

Tenanted and Leased Like-for-Like Net Profit (%)

Summary

We monitor LFL profit in order to understand the performance of our tenanted estate excluding the impact of disposals. LFL net profit has not been measured as there have not been any pubs traded for the entirety of the 36 weeks of the reporting period.

Definition

Tenanted and Leased' LFL profit includes pub operating profit and central overheads but excludes exceptional items. LFL profit performance is calculated against a comparable period in the prior year for pubs that were trading for the entirety of both periods.

2020SY	n/a[2]
2020	-16.4%*
2019	-0.3%

Tenanted and Leased Licensee Survey (out of 10)

Summary

The licensee survey provides independent feedback from our licensees about how they feel about working with Tenanted and Leased. The average score of 7.8 (out of 10) represents an improvement of 24% from the prior year.

Definition

The licensee survey is independent research conducted with leased/tenanted pubs across all the major pub companies operating in the L&T sector.

2020SY	7.8
2020	6.3
2019	6.6

Brewing and Brands Own Brew Volume (OBV) growth (%)

Summary

We monitor OBV growth to assess relative performance of our beer brands. OBV volumes declined by 35.2%.

Definition

Year-on-year growth in the volume of sales of beer brewed at our Greene King and Belhaven breweries.

2020SY	-35.2%[1,3]
2020	-11.3%[1,3]
2019	-3.4%

Brewing and Brands Service Score (%)

Summary

We monitor service scores to assess the proportion of orders successfully fulfilled, to provide insight on customer satisfaction.

Definition

Brewing & Brands service score is measured as the percentage of deliveries that are made on time and in full across all delivery networks.

2020SY	96.0%
2020	95.5%
2019	93.9%

1. These KPIs have either been materially impacted by, or were not able to be measured due to, COVID-19.
2. Like-for-Like ("LFL") sales have not been measured as there have not been any pubs traded for the entirety of the 36 weeks of the reporting period.
3. These measures are a 36 week vs comparable 36 week prior year basis.
4. Adjusted measures excluding the impact of exceptional and non-underlying items, for details see APMs on page 97

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 period under review (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 41,324 team members employed across the group during the period. Attracting and retaining the best people and developing and investing in them are critical to our continued success.

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 well-being, 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.

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, aiming for industry-leading value, service and quality and regularly benchmarking against the best in class. The board is given details of relevant customer insights as to the offers of the company's pubs, and also of any significant health and safety related issues relating to our customers.

Given the prevalence of the COVID-19 pandemic and the various national lockdowns during the period 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, 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.

Debt holders. The group has two securing financing vehicles with bonds listed on the Dublin and Luxembourg stock exchanges. During the period, 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 waiver of those covenants from the bondholders in the Greene King securitisation and sought but did not obtain 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. During the COVID-19 pandemic contact with government and parliament has been significant, to ensure that those stakeholders fully understand the impact of the pandemic on the hospitality sector.

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 eight years ago, we have raised £8m for our national charity partner, Macmillan Cancer Support. The board has also been made aware of significant matters affecting the company's reputation. In the summer it supported the company's plans to work on improving our diversity and inclusion in the light of significant publicity regarding the links between the company's founder, Benjamin Greene, and slavery. Further details of how we engage with our local communities and our work on diversity is set out in the Corporate Social Responsibility 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 have 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 are closed.

Case studies

1. Approval of the annual report

The approval of the annual report for the 52 weeks to 26 April 2020 was a key activity of the board during the period. The report covered both the period during which the company's shares were listed on the London Stock Exchange and also the time after its conversion to a private limited company owned by the CKA group. Whilst it was agreed that a printed annual report with photos was no longer needed, it was still important to ensure that the report gave sufficient information on the strategy, performance and prospects of the company to a range of stakeholders who might read it.

The board has responsibility to give final approval of the annual report and asked the board committee to first review the report in detail. The board committee meeting provided an opportunity for representatives from the company's shareholder, CKA, to understand the disclosures therein and to discuss various accounting policies including impairment and goodwill, and to understand how the treatment of certain items would differ in the company's accounts and those of CKA. The then current trading position was noted, and it was agreed that it would be appropriate to reference the material uncertainty regarding future trading in relation to the going concern statement. Both the board committee and the board also reviewed the report's contents and confirmed that they were comfortable with the various disclosure therein, including in relation to the strategic report.

2. Culture and values

The company is in the process of rolling out a programme of cultural and strategic transformation, Greene King Unleashed, which is designed to develop a more sustainable business model meeting the needs of customers, shareholders and team members achieving a balance between performance delivery and longer-term growth. The company's new purpose, approved by the board, is **We Pour Happiness into Lives**; this sits alongside a new goal, to be the pride of British hospitality famous for outstanding customer experiences and a balanced portfolio of high growth, consistent profit generating brands.

The company has also embedded a new set of values for team members:

- Customer first
- We care
- Freedom to succeed
- We take ownership, and
- Win, learn and celebrate together.

The board committee reviewed the roll out plans for the Greene King Unleashed programme which included 360° reviews for the leadership team, 180° reviews for around 300 managers and help for the leadership team to review their individual and collective feedback and development plans. A firm wide engagement survey was run in October/November and details of the results have been advised to the board and board committee.

3. The COVID-19 pandemic

As explained elsewhere in the strategic report, the COVID-19 pandemic has been the defining issue of the period under review. Management of the crisis has largely been a matter for the executive board, which set up a crisis group to oversee the Company's response to the crisis. Both the board and the board committee have been fully informed of the management team's handling of the crisis and been given opportunities to provide their feedback. Reporting to the board and committee has set out in detail the various actions taken vis a vis all of the company's key stakeholders, and particular focus was placed on understanding the impact of the crisis on the company's financial position and its prospects.

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 and the scale of potential impact (both financial and reputational) on the business.

Each division and functional area is responsible for identifying and quantifying risk according to an agreed group risk matrix and each key risk has an 'action owner' to ensure that responsibilities are formally aligned. Current controls to manage their risks are evaluated and where risk values fall outside our stated risk tolerance parameters, further SMART controls are committed to by the relevant risk owners. To ensure continuous improvement across the business, progress of these risk implementation plans is monitored by senior management on a regular basis.

Approach to risk management

The board has overall responsibility for ensuring that there is a robust assessment of the principal risks facing the group, being those which would threaten our business model, future performance and solvency and liquidity.

Both the board and the board committee, more details of which can be found in the Governance section, receive regular reports on risk matters. Representatives of CKA are also invited to attend the company's risk committee and to comment on the group's risk monitoring and mitigation activities.

Given that some risks are external and not fully within our control, the risk management processes are designed to manage risks which may have a material impact on our business, rather than to fully mitigate all risks.

Principal risks and uncertainties

The COVID-19 pandemic has continued to be the most significant risk facing the business during the year. As well as producing its own matters to be dealt with, the pandemic has also 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 on the company of the COVID-19 pandemic, and how the company has responded to the threats thereof, please see the separate COVID-19 section of the strategic report.

Aside from COVID-19 the principal risks and uncertainties facing the business, were similar in nature to those reported last year. These have been described below alongside the mitigating actions as well as an indication of how the risk has changed during the period.

Risk area	Mitigation	Changes since last year
Strategic risks – a failure to adopt the right strategy	The overall strategy of the company is determined by the executive board and approved by the board and board committee. Our group strategy has been focused on building brands that customers admire, creating offers that deliver compelling value, service and quality, developing engaged and high performing teams, maintaining a well-located and invested estate and managing our finances prudently. The overall strategy is determined by the executive board and progress against strategic plans is reviewed regularly by the board and its board committee. A new group strategy, purpose and values has been devised and will be fully launched during the new financial year as we hope to exit the COVID-19 pandemic.	↑ The COVID-19 pandemic has amplified the importance of adopting the correct strategy across the whole hospitality sector
Strategic risks – customer offer	We have and will continue to invest in delivering value, service and quality to our customers. Social distancing and safety will take on an increasingly important role when the pubs re-open. Our Pub Safe promises launched last year, are designed to look after team members and ensure customers can socialise safely. The Pub Safe scheme includes the following five promises: • Safe socialising layout throughout our pubs • Looking after our team, so they can look after our customers • Minimise contact • Hand sanitising and hygiene • Pub Safe Monitor We use guest satisfaction tools, TripAdvisor scores and net promoter scores to collect customer feedback and measure performance of our pubs and we encourage our managers to respond to relevant feedback.	↔ ↔ Safety and hygiene as well as the entire customer offer and journey will continue to be of considerable importance during the pandemic and beyond
Economic and market risks - relating to the state of the economy and consumer confidence, Brexit, and cost headwinds	We have a relentless focus on value, service and quality and are continuing to invest in our pubs. We aim to mitigate many of the anticipated cost increases facing the business, through procurement and productivity savings, with a particular focus on cross functional co-operation and the use of technology. 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.	↑ Although there are signs of pent up demand for hospitality it is unclear whether and if so, how consumer behaviour will change in the coming months and following the COVID-19 pandemic

	The biggest unknown at this point will be consumer confidence in the wake of the pandemic and therefore we will be working hard to ensure that the safety of our customers is our top priority. We regularly survey customer attitudes and confidence levels in respect of returning to the pub as current restrictions ease. Through this, we have a sense of which levers to pull in order to appeal to the largest possible customer base. The business prepared for the impact on Brexit, but other than some minimal supply impacts and administration on exports, the effects of Brexit are limited to the group.	
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.	↔
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 threat surveillance, patching and user education and to ensure that we continue to retire legacy systems so that our defences 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. Whilst many of our suppliers are large multi-national companies who have, where necessary, utilised the government various support schemes to provide some stability during the pandemic, some of our smaller suppliers have found the past few months harder and we have seen an increase in distressed suppliers. Our teams are working with them where appropriate or ensuring alternative supply arrangements can be put in place.	↔
Operational and people risks – recruitment, retention and development of team members and licensees	Throughout the COVID-19 pandemic a comprehensive and open communication plan has kept all our team members 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 team members on this process has been strong. 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. We do not know how the job market will respond as society returns to normal post pandemic. The double impact of the pandemic together with Brexit means the labour pool has shrunk, particularly in large urban areas. However, uncertainty and lack of opportunity within the job market, may improve our retention rate as existing team members choose to stay with Greene King.	↔
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. Additional risk assessments have been put in place to ensure compliance with the government's rules around safe distancing and hygiene and there will be ongoing monitoring to ensure that we meet the promises made via our Pub Safe promise.	↔

Financial risks – funding requirements	The group is well funded with the principal elements of the group's capital structure being its £1.8bn revolving loan facilities, which were £1.3bn drawn at the year end, and two long-term asset-backed financing vehicles. The company also issued a note under the joint HM Treasury and Bank of England COVID Corporate Financing Facility programme, with a principal amount of £300m, maturing on 31 March 2021. This was repaid on 31 March 2021. At the year end the Greene King securitisation had secured bonds with a group carrying value of £1,360.5m (April 2020: £1,387.5m) and an average life of eight years (April 2020: nine years), secured against 1,485 pubs (April 2020: 1,491 pubs) with a group carrying value of £2.0bn (April 2020: £2.0bn). The Spirit debenture had secured bonds with a carrying value of £99.8m (April 2020: £100.1m) and an average life of ten years (April 2020: eleven years), secured against 530 pubs (April 2020: 537 pubs) with a group carrying value of £0.5bn (April 2020: £0.5bn).	↑ Despite being in a well-funded position the pandemic has put a strain on the company due to the removal of nearly all revenue for a prolonged period of time. Whilst we have a waiver in respect of the covenant breaches by the Greene King securitisation, we were unable to obtain one for the Spirit debenture. See the Going concern disclosure on page 28 for more detail.
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 board 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. On 9 April the directors launched a waiver request in relation to 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.	↑ Whilst we obtained a waiver in respect of the covenant breaches by the Greene King securitization in the period, we were unable to obtain one for the Spirit debenture. See the Going concern disclosure on page 28 for more detail.
Financial risks – pension scheme funding	All our final salary schemes are closed to future accrual to reduce volatility. There is regular monitoring of the schemes' investments and as the funding position of both schemes improve plans are put in place to de-risk the investment strategy of the schemes. The Greene King and Spirit schemes both underwent a full actuarial valuation during 2018/19. The Spirit scheme was in surplus on an actuarial basis and therefore continues to not require funding from the company. The Greene King scheme remained in deficit, with the company contribution being an agreed £4.5m per annum.	↔

Change since last year

↑ Increased ↓ Decreased ↔ No change

CORPORATE SOCIAL RESPONSIBILITY

At Greene King we are passionate about delivering our purpose to 'pour happiness into lives'. That is 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' and together, with 41,324 team members, 990 tenants, over 12,000 suppliers and 1,678 pub communities, we are committed to making a difference through our Greene King for Good programme.

Greene King for Good

There are three pillars at the heart of our Corporate Social Responsibility strategy which are linked to our purpose and values.

- **Greener Thinking**
- **Providing good work for everyone**
- **Being a good neighbour**

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, that's a given. It's more than that. It's about Greene King being a positive force for good.

We believe we have a responsibility to act now to tackle some of the social and environmental challenges of our time.

We are committed to driving social and environmental change by focusing on **reducing food waste, tackling loneliness in society** and **driving social mobility.**

So, by aligning to our values, co-created with our team members, we empower each and every person in our business to strive forward and play their role in enhancing our corporate social responsibility ambitions. Our values are:

- **Customer First:** customers are the heart of Greene King;
- **We Care:** we embrace individuality and care for each other, our pubs, our environment and the community;
- **Freedom to Succeed:** we are trusted to unleash our potential by thinking differently and doing the right thing;
- **Take Ownership:** we make great things happen and we own the outcome and;
- **Win, Learn, Celebrate Together:** we love winning and celebrating success. We are humble enough to learn from our mistakes. We are in it together.

Our Environment - Time for Greener Thinking

Managing our impact on our planet matters to us and it matters to our customers. Our strategic goals align with the UN Sustainable Development Goals and the UK Government targets to reach carbon net zero by 2050.

We are proud of our achievements to date including achieving The Carbon Trust's Zero Waste to Landfill Standard in March 2020 and being acknowledged by our industry as Best Sustainable Managed Division 2020 at The Publican Awards, but we have no time to waste, which is why waste is top of our priority list. By signing two pledges, the Food Waste Reduction Roadmap managed by WRAP and IGD, and the UK Government's Step Up to the Plate Greene King has committed to to reduce food waste by 50% by 2030.

Despite the challenges faced by the hospitality and brewing sectors due to COVID-19 pandemic, Greene King has made significant strides towards a greener future. Food in our pubs and depots that would have gone to waste when the UK government announced hospitality closures was donated instead to food banks, charities and people in need, reducing waste and at the same time helping our communities. In March 2019 Greene King became the first ever hospitality business to partner with Too Go to Go, an app-based solution to help businesses reduce food waste. When pubs closed, the Too Good to Go app was a great solution to stop leftover food from going to waste that couldn't be donated to charity. Since the start of the partnership we have saved 120,000 meals from going to waste.

Other sustainability initiatives launched this year include our Tub2Pub scheme in partnership with Co-cre8 and Polymer Plastics, which encouraged customers to drop their empty confectionary tubs at their local Greene King pub to be processed into granulated recycled plastic. The profits from the sale of the recycled plastic was donated to Macmillan Cancer Support. Our Brewing and Brands division also introduced a new recycling solution to manage its polythene packaging waste by processing it into polymer pellets which are then used instead of virgin polymers by UK manufacturers.

In November 2020 Greene King also became founder members of Zero Carbon Forum, an industry wide collaboration of the largest hospitality businesses, whose aim it is to create a roadmap for hospitality to reach zero carbon.

We want to go much further though and be more ambitious; which is why we will be publishing our greener thinking strategy in 2021, setting out steps to eliminate our environmental impact on our planet.

Our statistics at a glance

Water saving	**36 weeks ended 3 January 2021**	52 weeks ended 26 April 2020
Water saved (m^3)	**35,832**	92,005
ADU Saving (m^3)	**98.17**	252.07
Pints of water saved per day	**172,754**	443,579
Water audits	**94**	202
Reduction in billing (ongoing savings)	**£104,503**	£256,456
Refunds achieved	**£32,999**	£46,671

	36 weeks ended 3 January 2021		52 weeks ended 26 April 2020	
Recycling	Tonnes	%	Tonnes	%
Waste diverted on site	**15,844**	**68**	41,418	72
Waste sent to Energy from Waste (EFW)	**6,307**	**27**	10,266	18
Waste sent to Mixed Recycling Facility (MRF)	**1,124**	**5**	4,891	9
Waste sent to Landfill	**89**	**0**	643	1
	23,364	**100**	57,218	100

	Tonnes	
Waste reduction, recycled	**36 weeks ended 3 January 2021**	52 weeks ended 26 April 2020
Glass	**10,610**	19,696
Food (diverted to anaerobic digestion to generate electricity)[1]	**6,409**	13,239
Carboard	**2,427**	4,155
Used cooking oil (converted to biodiesel)[2]	**1,580**	2,517
Mixed plastic	**503**	895
Tin	**101**	89

1. 1 Tonne of food waste will generate 300kWh of energy. For the period, Greene King has produced 2,041,500 kwh of electricity which is enough electricity to power 552 UK homes for a month (based on an average consumption of 3,700 kwh p/a).

2. 1,494 Tonnes of used cooking oil (converted to biodiesel – specific gravity 0.87) represents 1.79m litres, down from 3.02m litres last year.

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 (2019 for 2019/20 and 2019 for 2020/21). 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 (2019 for both years).

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

CO2 emissions by type

	Source of emissions	**2020/2021 tonnes of CO2e**	**Equivalent kWh**	2019/20 tonnes of CO2e	Equivalent kWh
Direct emissions Scope 1	Natural gas	23,246	126,673,812	60,419	329,241,285
	Gas oil	358	1,420,567	749	2,969,147
	Kerosene	103	421,028	264	1,080,012
	LPG	1,921	8,720,933	3,825	17,362,878
	Red diesel	36	134,640	69	260,640
	Owned vehicles	2,750	20,795,397	6,674	31,749,899
Total direct emissions Scope 1		28,414	158,166,377	72,000	382,663,861
Indirect emissions Scope 2	Electricity	35,332	139,330,992	81,468	321,272,615
Gross emissions		63,746	297,497,369	153,468	703,936,476
Turnover in Managed Division and Brewing & Brands (£m)		521.2		1,761.1	
Tonnes CO2e per £1k turnover		0.122		0.087	

Being a good neighbour

The pub has been a quintessential part of British life for generations; the very centre piece of community life. A welcome retreat, a place to laugh, to celebrate and to just be. Where old friendships blossom and new ones are made; where ideas spring and camaraderie is fostered; where relationships bond and communities grow.

At Greene King we believe community is now more important in our lives than ever before. It's our calling to serve our communities in more ways than one and our priority to support those who need us most. Since 2012 our team members and customers have raised a phenomenal £8 million for our charity partner Macmillan Cancer Support with a staggering £1.1mi raised during September and October 2020 alone; but we are determined to reach out further to help those in need.

Loneliness is a national emergency, made worse through the pandemic. We believe no-one should ever feel lonely and so through our No-One Alone initiative, we aim to bring people together to fight against loneliness. This year COVID19 has prevented us from hosting our regular No One Alone events in our pubs but that hasn't stopped our teams from supporting people in the communities around their pubs. Hundreds of our pub teams all across the UK have been reaching out to those in need by distributing food, volunteering for local charities and many more activities. The team at the Air Balloon pub in Filton provided a local mother's group with 100 cooked Christmas dinners to give out to families in the community most in need. All across the business team members have volunteered in many ways, supporting the COVID19 vaccine roll out in their community or by giving a much needed helping hand to our charity partner Macmillan Cancer Support. Several of our team members trained as Macmillan Cancer Support telephone buddies helping those living with cancer and by writing Christmas cards on behalf of the charity.

We are truly humbled by our Greene King family.

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, and Only a Pavement Away, helping homeless people off the streets and into careers in hospitality. Throughout 2020 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. Total contributions made in the year by Greene King total £0.2m.

Closer to home Greene King launched its Team Member Support Fund, managed on our behalf by industry charity Licenced Trade Charity to help team members facing financial hardship during the pandemic. The fund which ran from April to June 2020 donated £0.7m in essential retail vouchers to over 2000 team members. A second fund launched in January 2021 with funds donated by the group and contributions from voluntary salary sacrifices by the Executive Board and Leadership team.

Providing good work for everyone

At Greene King we believe that everyone has a right to great career opportunities. Our Stepping Up Report in 2019 challenged the barriers of social mobility and gave our commitment to create the best opportunities for individuals from all backgrounds in the hospitality sector. We pledged to provide 20,000 apprenticeships which we are well on the way to achieving. Today we offer over thirty different types of apprenticeships in our pubs, support centres and our breweries. Providing opportunities for young people starting out in careers is important to us which is why this year we extended our partnership with The Prince's Trust pledging in 2020 to create 1000 job opportunities for young people over the next five years, 40% from black, Asian, and minority ethnic backgrounds.

Greene King has supported more than 1,000 apprentices on our award-winning programme since March 2020, either through starting or completing an apprenticeship, despite the challenges of a pandemic. We have also maintained more than 2,300 learners on our programmes giving those team members who have been furloughed the opportunity to learn and progress their career chances even when not being able to work. In October Greene King were named in the top ten of the Government's Top 100 Apprenticeship Employers 2020 list.

We also believe everyone deserves a second chance in life so in 2018 we launched Releasing Potential, our programme to support ex-offenders into fulfilling careers in our business. To date we have helped forty-five people to achieve this, working alongside the Ministry of Justice and in partnership with Only a Pavement Away and Novus.

Inclusion and Diversity

This year we made a public commitment to escalate inclusion and diversity ambitions across our business. At Greene King we aim to serve customers and our communities with a team that is representative of our dynamic society. We strive to build and nurture an inclusive culture where team members are comfortable to bring their authentic self to work. Notwithstanding our values and policies as a modern business today, the company's heritage includes Benjamin Greene, who as one of its founders profited from slavery and argued against its abolition in the 1800s. In June 2020 Greene King CEO Nick Mackenzie publicly described Benjamin Greene's actions as inexcusable. He described the beliefs and practices held by Mr Greene as running counter to those held by Greene King today and stated that racism and discrimination have no place within the company. He pledged to accelerate our diversity and inclusion ambitions, specifically relating to race, as well as making a substantial investment to benefit the BAME community and support our race diversity in the business.

Since then Greene King has strengthened its partnership with the Prince's Trust with a new five-year agreement, increasing funding by a third and pledging to create 1,000 opportunities for young people and an increased financial commitment to the charity linked to the diversity aims.

An employee-led group called Unity was also established representing Black, Asian and minority ethnic groups. This new group sits alongside already established groups The Village Greene LGBT+ Network and Team47 to help women within the Greene King network grow their careers. Last October also saw the launch of a partnership between Greene King and the International Slavery Museum in Liverpool to raise awareness and educate about the historic transatlantic slave trade. In addition, Greene King signed up as members of the Slave Free Alliance, committing to investigating and eradicating modern slavery from it supply chain.

NON-FINANCIAL INFORMATION

Environment and energy and carbon reporting

Operating sustainably including greenhouse gas emissions – see pages 22 to 23.

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 colleagues 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 and propose to draft a formal policy in the coming year.

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 notice – 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.

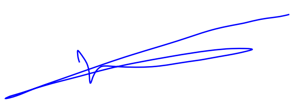
Anti-corruption and bribery

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 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.

The primary focus for the board and the company during the period under review has been to manage the COVID-19 crisis. Notwithstanding this, work has continued to develop the company's new strategy under its new management and ownership. Following the launch of our new strategy in 2020, we have continued to develop over the course of the reporting period which falls into three key areas:

1) **Response to COVID-19**

   Digitisation has been an important part of our strategy to enable the business to navigate the COVID-19 crisis and adapt to changing customer behaviour. When our pubs reopened after lockdown one, we rolled out our Order and Pay app across the entire estate which has seen almost 4m downloads and in August was number 2 best ranking app in the App store, and number 1 in the Food & Drink category. For our 40,000 team members, we launched Wagestream enabling real-time access to their earned pay to help them meet unexpected expenses.

   In response to pubs closing during national lockdown, and subsequent restrictions for customers to visit the pub during the year, we launched takeaway and delivery in 400 of our pubs, allowing customers to enjoy pub food at home.

2) **Developing the foundations for success**

   Following the completion of the sale of Greene King to CKA, we are integrating our systems with our parent owners' systems to enable smooth financial reporting.

   To support our aim of establishing a sustainable, technology-driven supply chain solution, our Brewing & Brands division transferred its third-party logistics to XPO, a leading global provider of transport and logistics solutions. XPO now manages dedicated warehousing and distribution for our secondary drinks channel to retail pubs and restaurants, Tenanted and Leased licensees and on trade customers, to complement our in-house distribution teams.

   Productivity and efficiency were key areas of focus and we completed projects to enable us to understand more about the labour deployments model, which will drive improved efficiency and increased sales. We also developed new cash management capabilities resulting in reduced hours for our team members, improving their experience at work.

3) **Setting up for future growth**

   Transforming our culture is a key strategic driver and we have continued to roll out our purpose – We Pour Happiness Into Lives, our new values and our new goal – to be the pride of British hospitality famous for outstanding customer experiences and a balanced portfolio of high growth, consistent profit generating brands.

   Our asset optimisation programme pivoted towards garden refurbishments, reflecting the changes due to COVID-19 to create more outside spaces and maximise trading opportunities.

   We have developed a number of projects during the year to set us up for future growth. We have extended our bookings capability online, but also using automated telephony which, for the customer, means there will always be someone available to answer the phone.

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. They have been kept fully informed of and have been supportive of the actions taken by management to deal with the COVID-19 pandemic, which has been the main focus of the board and management in the last few months.

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 established 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, which has been delegated the authority to make certain decisions relating to the management and operation of the company, as set out in a schedule of responsibilities approved the board.

Matters requiring board approval 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 corporate acquisitions or disposals by the group,
- approval of the funding strategy and debt structure,
- approval of major changes to the group's corporate structure,
- approval of any significant changes to the group's management and control structure,
- approval of the annual statutory accounts,
- 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

The board has also approved a formal authorisation matrix, dealing with who has authority to make other decisions on behalf of the company.

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. The board has been kept fully informed of the actions taken by management to deal with the COVID-19 pandemic and will be appraised of opportunities for the business as we come out of the crisis.

Details of the risks facing the business are set out in the section on Principal risks and uncertainties within the strategic report, and also within the section on COVID-19, also within the strategic report.

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.

There were no increases or changes in remuneration for the executive board nor any changes to executive remuneration structures during the period under review, except for the voluntary reductions taken in the first national lockdown. See the section on COVID-19 in the strategic report for further details on the company's approach to remuneration during the COVID-19 pandemic.

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 36-week period ended 3 January 2021. 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.

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 underlying loss before tax, exceptional and non-underlying items was £279.5m for the 36 weeks to 3 January 2021 (52 weeks to 26 April 2020: profit £107.6m). 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. For information on the reopening of our pubs following the lockdown introduced by the government to deal with the COVID-19 pandemic, please see the information in the strategic report. Details of any other events occurring after the year-end are set out in note 31 in the financial statements.

Financial instruments

The group's policy on the use of financial instruments is set out in note 23 to the financial statements.

Political Donations

The Greene King group makes no political donations. (2020: 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 Finance review. In addition, note 23 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.

Throughout the period from April to December 2020 the Company has taken advantage of a number of government assistance schemes, including the suspension of business rates for 12 months from April 2020, the deferral of the January to March 2020 VAT liability, the Eat Out to Help Out ("EOTHO"), a £300m drawdown from the CCFF as well as the Coronavirus Job Retention Scheme.

The principal elements of the group's financing structure are:

- a £1.5bn unsecured revolving loan facility with a maturity in November 2022 held with an indirect intermediate parent company with which the group shares the same ultimate parent;
- five-year unsecured bank facilities totalling £400m, comprising £320m of revolving credit facilities and a £80m term loan facility, which are guaranteed by the group's ultimate parent maturing in 2025;
- the Greene King securitisation of secured bonds with a group carrying value of £1,360.5m (April 2020: £1,387.5m) and an average life of eight years (April 2020: nine years), secured against 1,485 pubs (2019: 1,491 pubs) with a group carrying value of £2.0bn (April 2020: £2.0bn);
- the Spirit debenture of secured bonds with a carrying value of £99.8m (April 2020: £100.1m) and an average life of ten years (April 2020: eleven years), secured against 530 pubs (April 2020: 537 pubs) with a group carrying value of £0.5bn (April 2020: £0.5bn); and
- liquidity facilities totalling £239.0m (2020: £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 (2020: £nil).

The unutilised facilities at the end of the financial year were £635m. On 31 March 2021 £300m was utilised to repay the CCFF facility. At the end of March 2021, the Group had undrawn committed facilities of £275m.

Given the experience of the last twelve months there remains significant uncertainty across the whole hospitality sector over how much and how quickly trade will return. Despite the introduction of a vaccine and continued falling infection rates there remains the possibility of further enforced closures. As a result, for the purposes of considering going concern, the directors have modelled both a prudent view of the next 12 months based on the latest set of government announcements relating to both re-opening and continued assistance but with no further enforced closures and a worst-case scenario that assumes the Group's pubs remain closed for the entire 12 month going concern period, the repayment of the Spirit debenture debt of c.£100m given the position of technical default as a result of the breach of covenants, and the business does not receive any incremental funding. Under both scenarios the group is forecast to continue to have access to sufficient cash funds to be in operational existence for a period of at least 12 months from the date of the approval of the financial statements.

Having assessed each of these scenarios, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least the next 12 months from the date of the approval of the financial statements. In forming this conclusion, the directors have made a significant judgement in respect of the continued availability of the Greene King securitisation long-term asset-backed financing vehicle in the knowledge that the Group expects to be reliant upon waiver of debt covenants. The directors have launched a waiver request in relation to 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 2021in respect of the Greene King securitisation but given the result is not known at the time of the approval and signing of the accounts this judgement represents a material uncertainty that may cast significant doubt on the group's ability to continue as a going concern.

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 Strategic report, the Directors' 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 are required 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 European Union 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 29 April 2021 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 Greene 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 3rd January 2021 and of the group's loss for the period then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- 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 46.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law, and international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as issued by the IASB. 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.

Material uncertainty related to going concern

We draw attention to the going concern disclosure in note 1 in the financial statements, which indicates that there remains significant uncertainty across the hospitality sector caused by COVID-19. Whilst the group is forecast to continue to have access to sufficient cash funds to be in operational existence for a period of at least 12 months from the date of the approval of the financial statements, this assumes continued availability of the Greene King securitisation long-term asset-backed financing vehicle, which the directors expect will be reliant upon waiver of debt covenants. As stated in note 1, these matters indicate that a material uncertainty exists that may cast significant doubt on the group and parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

Emphasis of matter – material valuation uncertainty in assessment of recoverable amount of property, plant and equipment

We draw attention to note 13, concerning the significant estimation uncertainty inherent in the assessment of fair value less cost of disposal and value in use of the property, plant and equipment and right of use assets at the balance sheet date. Our opinion is not modified in respect of this matter.

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 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 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 including tax, valuations, pensions, financial instruments and IT 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 them are described below:

- We presume a risk of material misstatement due to fraud relating to revenue recognition. We have identified a significant risk around accuracy of managed pub revenue due to management override and manual journal adjustments. In order to address the risk we have used data analytics to test the correlation of revenue to cash receipts for managed pub revenue. This has identified where adjustments have arisen between the pub till system and the accounting system. Supporting information has then been obtained to validate the accuracy of these adjustments. In addition to this we have assessed the design and implementation of internal 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 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 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 period 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
29 April 2021

GROUP INCOME STATEMENT

FOR THE 36 WEEKS ENDED 3 JANUARY 2021

	Note	**36 weeks ended 3 January 2021 Total £m**	52 weeks ended 26 April 2020 Total £m
Revenue	3	**562.1**	1,919.0
Operating costs	4	**(711.4)**	(1,996.6)
Operating (loss)		**(149.3)**	(77.6)
Analysed as:			
Underlying operating (loss)/profit		**(185.8)**	253.1
Separately disclosed exceptional and non-underlying items	5	**36.5**	(330.7)
Finance income	7	**0.7**	1.6
Finance cost	7	**(100.0)**	(197.0)
Analysed as:			
Underlying net finance costs		**(93.7)**	(145.5)
Separately disclosed exceptional and non-underlying items	5	**(5.6)**	(49.9)
(Loss) before tax		**(248.6)**	(273.0)
Tax	10	**(20.8)**	(22.8)
Analysed as:			
Underlying Tax		**53.8**	(20.5)
Separately disclosed exceptional and non-underlying items	5	**(74.6)**	(2.3)
(Loss) attributable to equity holders of parent		**(269.4)**	(295.8)

The notes on pages 39 to 89 form part of these financial statements.

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE 36 WEEKS ENDED 3 JANUARY 2021

	Note	**36 weeks ended 3 January 2021 £m**	52 weeks ended 26 April 2020 £m
(Loss) for the period		**(269.4)**	(295.8)
Other comprehensive income to be reclassified to the income statement in subsequent periods			
Cash flow hedges:			
– (Losses) on cash flow hedges taken to other comprehensive income		**(7.7)**	(53.9)
– Transfers to income statement on cash flow hedges		**14.7**	42.3
Deferred tax on cash flow hedges	10	**2.1**	3.8
		9.1	(7.8)
Items not to be reclassified to the income statement in subsequent periods			
Remeasurement (losses)/gains on defined benefit pension schemes	9	**(6.4)**	15.3
Current Tax on defined benefit pension schemes	10	**-**	0.4
Deferred Tax on remeasurement gains	10	**0.8**	(3.3)
		(5.6)	12.4
Other comprehensive income for the period, net of tax		**3.5**	4.6
Total comprehensive (loss) for the period, net of tax		**(265.9)**	(291.2)

The notes on pages 39 to 89 form part of these financial statements.

GROUP BALANCE SHEET

AS AT 3 JANUARY 2021

	Note	**As at 3 January 2021**	As at 26 April 2020
		£m	£m
Non-current assets			
Property, plant and equipment	13	**3,667.7**	3,495.0
Right-of-use assets	21	**608.4**	890.6
Intangibles	12	**8.2**	8.8
Goodwill	12	**905.2**	906.2
Financial assets	14	**6.2**	4.1
Deferred tax assets	10	**-**	3.4
Post-employment assets	9	**48.3**	51.8
		5,244.0	5,359.9
Current assets			
Inventories	16	**32.1**	39.8
Financial assets	14	**3.9**	0.9
Trade and other receivables	17	**102.4**	83.9
Prepayments		**14.4**	14.3
Cash and cash equivalents	18	**145.5**	20.4
		298.3	159.3
Property, plant and equipment held for sale	19	**1.0**	1.9
		299.3	161.2
Total assets		**5,543.3**	5,521.1
Current liabilities			
Borrowings	22	**(445.4)**	(37.1)
Lease liabilities	21	**(60.3)**	(41.1)
Derivative financial instruments	23	**(13.2)**	(11.0)
Trade and other payables	20	**(223.2)**	(292.5)
Income tax payable	10	**(17.6)**	(5.6)
Provisions	24	**(5.3)**	(3.8)
		(765.0)	(391.1)
Non-current liabilities			
Borrowings	22	**(2,578.0)**	(2,213.5)
Lease Liabilities	21	**(671.7)**	(1,132.7)
Derivative financial instruments	23	**(148.0)**	(151.6)
Deferred tax liabilities	10	**(12.9)**	-
Provisions	24	**(4.5)**	(3.1)
		(3,415.1)	(3,500.9)
Total liabilities		**(4,180.1)**	(3,892.0)
Total net assets		**1,363.2**	1,629.1

	Note	As at 3 January 2021 £m	As at 26 April 2020 £m
Issued capital and reserves			
Share capital	25	**39.0**	39.0
Share premium	26	**269.4**	269.4
Merger reserve	26	**752.0**	752.0
Capital redemption reserve	26	**3.3**	3.3
Hedging reserve	26	**(160.3)**	(169.4)
Retained earnings		**459.8**	734.8
Total equity		**1,363.2**	1,629.1
Net debt	28	**(2,877.9)**	(2,230.2)

The notes on pages 39 to 89 form part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 29 April 2021.

They were signed on its behalf by:

Richard Smothers
Director

GROUP CASH FLOW STATEMENT

FOR THE 36 WEEKS ENDED 3 JANUARY 2021

	Note	**36 weeks ended 3 January 2021 £m**	52 weeks ended 26 April 2020 £m
Operating activities			
Operating (loss)		**(149.3)**	(77.6)
Operating exceptional and non-underlying items	5	**(36.5)**	330.7
Depreciation	4	**107.7**	157.9
Amortisation	4	**0.6**	0.9
EBITDA[1]	3	**(77.5)**	411.9
Working capital and other movements	27	**(73.3)**	(145.6)
Interest received		**0.1**	0.8
Interest paid		**(82.0)**	(152.7)
Tax received/(paid)		**10.4**	(33.9)
Net cash flow from operating activities		**(222.3)**	80.5
Investing activities			
Purchase of freehold reversions	13	**(373.2)**	-
Purchase of property, plant and equipment		**(52.8)**	(166.3)
Advances of trade loans	14	**(1.9)**	(4.8)
Repayment of trade loans	14	**3.0**	7.3
Sales of property, plant and equipment		**7.7**	35.1
Net cash flow from investing activities		**(417.2)**	(128.7)
Financing activities			
Equity dividends paid	11	**-**	(102.6)
Issue of shares		**-**	7.5
Purchase of own shares		**-**	(0.1)
Payment of derivative financial liabilities	28	**-**	(119.3)
Financing costs	28	**(0.2)**	(2.0)
Repayment of borrowings	28	**(197.9)**	(705.4)
Advance of borrowings	28	**969.5**	846.4
Repayments of lease liabilities	28	**(6.8)**	(39.9)
Net cash flow from financing activities		**764.6**	(115.4)
Net increase/(decrease) in cash and cash equivalents		**125.1**	(163.6)
Opening cash and cash equivalents	18	**20.4**	184.0
Closing cash and cash equivalents	18	**145.5**	20.4

1. EBITDA represents earnings before interest, tax, depreciation, amortisation and exceptional and non-underlying items.

The notes on pages 39 to 89 form part of these financial statements.

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE 36 WEEKS ENDED 3 JANUARY 2021

	Note	Share capital £m	Share premium £m	Merger reserve £m	Capital redemption reserve £m	Hedging reserve £m	Retained earnings £m	Total equity £m
At 28 April 2019		**38.7**	**262.2**	**752.0**	**3.3**	**(161.6)**	**1,187.2**	**2,081.8**
Effect of adoption of IFRS 16 Leases		-	-	-	-	-	(69.2)	(69.2)
As at 29 April 2019		**38.7**	**262.2**	**752.0**	**3.3**	**(161.6)**	**1,118.0**	**2,012.6**
Loss for the period		-	-	-	-	-	(295.8)	(295.8)
Other comprehensive income:								
Actuarial gains on defined benefit pension schemes (net of tax)		-	-	-	-	-	12.4	12.4
Net gain on cash flow hedges (net of tax)		-	-	-	-	(7.8)	-	(7.8)
Total comprehensive income		**-**	**-**	**-**	**-**	**(7.8)**	**(283.4)**	**(291.2)**
Issue of ordinary share capital	25	0.3	7.2	-	-	-	-	7.5
Purchase of shares	26	-	-	-	-	-	(0.1)	(0.1)
Share-based payments	8	-	-	-	-	-	1.9	1.9
Tax on share-based payments	10	-	-	-	-	-	1.0	1.0
Equity dividends paid	11	-	-	-	-	-	(102.6)	(102.6)
At 26 April 2020		**39.0**	**269.4**	**752.0**	**3.3**	**(169.4)**	**734.8**	**1,629.1**
Loss for the period		-	-	-	-	-	(269.4)	(269.4)
Other comprehensive income:								
Actuarial losses on defined benefit pension schemes (net of tax)		-	-	-	-	-	(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**

The notes on pages 39 to 89 form part of these financial statements.

NOTES TO THE ACCOUNTS

FOR THE 36 WEEKS ENDED 3 JANUARY 2021

1 BASIS OF PREPARATION

Corporate information

The consolidated financial statements of Greene King Limited for the period ended 3 January 2021 were authorised for issue by the board of directors on 29 April 2021. 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 36 weeks ended 3 January 2021 (prior year 52 weeks ended 26 April 2020).

Change in year end

The financial year of the group was changed from 30 April to 31 December so as to be coterminous with the year end of its ultimate holding company, CK Asset Holdings Limited. Accordingly, the current financial statements are prepared for 36 weeks from 27 April 2020 to 3 January 2021 and as a result, the comparative figures stated in the income statement, statement of changes in equity, cash flow statement and the related notes are not comparable.

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 its related parties, Greene King Finance plc and Spirit Issuer plc. Greene King Finance plc and Spirit Issuer plc are structured entities set up to raise bond finance for the group. As Greene King Limited has full control over both 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.

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 Finance review. In addition, note 23 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.

Throughout the period from April to December 2020 the Company has taken advantage of a number of government assistance schemes, including the suspension of business rates for 12 months from April 2020, the deferral of the January to March 2020 VAT liability, the Eat Out to Help Out ("EOTHO"), a £300m drawdown from the CCFF as well as the Coronavirus Job Retention Scheme.

The principal elements of the group's financing structure are:

- a £1.5bn unsecured revolving loan facility with a maturity in November 2022 held with an indirect intermediate parent company with which the group shares the same ultimate parent;
- five-year unsecured bank facilities totalling £400m, comprising £320m of revolving credit facilities and a £80m term loan facility, which are guaranteed by the group's ultimate parent maturing in 2025;
- the Greene King securitisation of secured bonds with a group carrying value of £1,360.5m (April 2020: £1,387.5m) and an average life of eight years (April 2020: nine years), secured against 1,485 pubs (2019: 1,491 pubs) with a group carrying value of £2.0bn (April 2020: £2.0bn);
- the Spirit debenture of secured bonds with a carrying value of £99.8m (April 2020: £100.1m) and an average life of ten years (April 2020: eleven years), secured against 530 pubs (April 2020: 537 pubs) with a group carrying value of £0.5bn (April 2020: £0.5bn); and
- liquidity facilities totalling £239.0m (2020: £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 (2020: £nil).

The un-utilised facilities at the end of the financial year were £635m. On 31 March 2021 £300m was utilised to re-pay the CCFF facility. At the end of March 2021, the Group had undrawn committed facilities of £275m.

Given the experience of the last twelve months there remains significant uncertainty across the whole hospitality sector over how much and how quickly trade will return. Despite the introduction of a vaccine and continued falling infection rates there remains the possibility of further enforced closures. As a result, for the purposes of considering going concern, the directors have modelled both a prudent view of the next 12 months based on the latest set of government announcements relating to both re-opening and continued assistance but with no further enforced closures and a worst-case scenario that assumes the Group's pubs remain closed for the entire 12 month going concern period, the repayment of the Spirit debenture debt of c.£100m given the position of technical default as a result of the breach of covenants, and the business does not receive any incremental funding. Under both scenarios the group is forecast to continue to have access to sufficient cash funds to be in operational existence for a period of at least 12 months from the date of the approval of the financial statements.

Having assessed each of these scenarios, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least the next 12 months from the date of the approval of the financial statements. In forming this conclusion, the directors have made a significant judgement in respect of the continued availability of the Greene King securitisation long-term asset-backed financing vehicle in the knowledge that the Group expects to be reliant upon waiver of debt covenants. The directors have launched a waiver request in relation to 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 but given the result is not known at the time of the approval and signing of the accounts this judgement represents a material uncertainty that may cast significant doubt on the group's ability to continue as a going concern.

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 27 April 2020.

Those standards and interpretations include:

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of Material – Amendments to IAS 1 and IAS 8
- Definition of Business – Amendments to IFRS 3
- Interest Rate Benchmark Reform - Phase 1 - Amendments to IFRS 9, IAS 39 and IFRS7

The group early adopted Interest Rate Benchmark Reform - Phase 1 in the previous year. In addition, the group has early adopted COVID-19 Related rent concessions - Amendment to IFRS 16.

The group has considered the above new standards and has concluded that only the COVID-19 related rent concessions has an impact on the group's financial statements and the impact of the amendments to the conceptual framework, IAS 1, IAS 8 and IFRS 3 are not material.

COVID-19 Related Rent Concessions – Amendment to IFRS 16

The group has early adopted COVID-19 Related Rent concessions – Amendment to IFRS 16 issued on 28 May 2020. The amendment introduces an 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. The group has applied the amendment retrospectively. The amendment has had no impact on retained earnings at 27 April 2020.

Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2021 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.

- Interest rate Benchmark Reform – Phase 2

The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cashflows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to:

- changes in the basis for determining contractual cashflows of financial assets, financial liabilities and lease liabilities; and
- hedge accounting

Management plan to apply the amendments from 1 January 2021 and will consider if there are any material impact on the financial statements. At the reporting date, any impact has not yet been quantified.

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:

Exceptional and non-underlying 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 exceptional and non-underlying 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 21.

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. Given the variability of the growth-rate in the board approved five year-plan due to the recovery from COVID-19, 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 operating 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 13.

The pub property market continues to be impacted by COVID-19, providing unprecedented set of circumstances on which to base a judgement. All trading sites have been externally valued on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. This reflects the continued uncertainty that COVID-19 might have on the real estate market and pub trade. Consequently, less certainty, and a higher degree of caution should be attached to valuations than would normally be the case.

The impact of COVID-19 on our assessment has been calculated based on a number of assumptions to determine the reduction in cash flows across a 3-year period. The key assumptions include an estimated phased return to pre-COVID trading levels, and additional costs estimated to be incurred during this period to comply with potential Government legislation. These assumptions have been applied on a portfolio basis across our different customer propositions based on geography, location and trading profile. Further details are provided in notes 13 and 21.

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.

Useful lives are reassessed annually which may lead to an increase or reduction in depreciation accordingly.

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 3, COVID-19 has had a material impact to the financial statements. As well as impacting the impairment calculation on Property, Plant & Equipment above, management have applied estimates within the expected credit loss calculation on trade loans and trade receivables, see notes 14, 17 and 23 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 group IBR.

As management elected for the modified retrospective approach, the IBR is required to be calculated at the date of initial application of IFRS 16 rather than at each lease commencement date. 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. 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 9.

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.

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 asset group. 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 13 and right-of-use assets in note 21.

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 23.

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-exceptional finance costs and exceptional finance costs.

Pre-exceptional 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 exceptional 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-exceptional 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.

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. Raw materials are valued at average cost. Finished goods and work in progress comprise materials, labour and attributable production overheads, where applicable, and are valued at average cost.

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.

Share-based payments

Policy applicable up to 26 April 2020

Certain employees and directors received equity-settled remuneration, whereby they render services in exchange for shares or rights over shares. The fair value of the shares and options granted was measured using a Black-Scholes model, at the date at which they were granted. No account was taken in the fair value calculation of any vesting conditions (service and performance), other than market conditions (performance linked to the price of the shares of the company before acquisition). Any other conditions that were required to be met in order for an employee to become fully entitled to an award were considered non-vesting conditions. Like market performance conditions, non-vesting conditions are taken into account in determining the grant date fair value. The fair value of shares and options granted was recognised as an employee expense with a corresponding increase in equity spread over the period in which the vesting conditions were fulfilled ending on the relevant vesting date. The cumulative amount recognised as an expense reflects the extent to which the vesting period expired, adjusted for the estimated number of shares and options that are ultimately expected to vest. The periodic charge or credit was the movement in the cumulative position from beginning to end of that period. Active schemes at the date of change in ownership of Greene King Limited were modified to either accelerate vesting or lapse.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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.

Managed Division

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.

Tenanted and Leased

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 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. In the current year, grant accounting has been applied to the Eat Out to Help Out scheme (note 3), Business rates (note 3) 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 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.

Under IFRS 16 lessor accounting is broadly unchanged and therefore the majority of leases under which the group is the lessor continue to be accounted for 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.

Exceptional and non-underlying 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). The income statement includes the following adjusted measures of profitability:

- operating profit before exceptional and non-underlying items; and
- profit before tax, exceptional and non-underlying items (PBTE);

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. Exceptional and non-underlying items are not defined under IFRS. Exceptional items are classified as those which are separately identifiable by virtue of their size, nature or expected frequency and therefore warrant separate presentation. Non-underlying items are other items that management considers should be presented separately to allow a better understanding of the underlying performance of the business. Presentation of these measures is 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 exceptional and non-underlying items to the equivalent unadjusted IFRS measures. Exceptional and non-underlying items are then further detailed in note 5 to the financial statements.

Items that are considered to be exceptional or non-underlying and that are therefore separately identified in order to aid comparability may include the following:

Exceptional items:

- 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; and
- 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 exceptional 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.

Non-underlying items may include:

- 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;

- costs associated with property lease reversions. The group may incur costs and recognise liabilities in respect of leasehold properties where leases that have previously been disposed of but revert to the group under privity of contract. Such costs may occur infrequently or could be significant and are not reflective of the group's ongoing trade;

- 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.

3 SEGMENT INFORMATION

The group has three reportable segments that 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:

Managed Division: Managed pubs and restaurants

Tenanted and Leased: Tenanted and leased pubs

Brewing & Brands: Brewing, marketing and selling beer

These are also considered to be the group's operating segments and are based on the information presented to the chief executive, who is considered to be the chief operating decision maker. No aggregation of operating segments has been made.

Transfer prices between operating segments are set on an arm's length basis. Brewing & Brands revenue disclosed is solely in relation to third parties.

36 weeks ended 3 January 2021	Managed Division £m	Tenanted and Leased £m	Brewing & Brands £m	Corporate £m	Total operations £m
Revenue	448.2	40.8	73.1	-	562.1
Analysed as follows:					
Goods					
– Drink	225.5	30.4	73.1	-	329.0
– Food	207.2	-	-	-	207.2
	432.7	30.4	73.1	-	536.2
Services					
– Other services[1]	15.5	10.4	-	-	25.9
	15.5	10.4	-	-	25.9
EBITDA[2]	**(72.5)**	**10.4**	**(10.8)**	**(4.6)**	**(77.5)**
Segment operating profit	**(158.6)**	**0.9**	**(18.1)**	**(10.0)**	**(185.8)**
Exceptional and non–underlying items	-	-	-	-	36.5
Lease interest	(24.3)	(3.6)	(0.8)	(1.3)	(30.0)
Net Finance costs	-	-	-	-	(69.3)
Income tax charge	-	-	-	-	(20.8)
Net profit for the period	**(182.9)**	**(2.7)**	**(18.9)**	**(11.3)**	**(269.4)**
Balance sheet					
Segment assets	4,204.7	871.5	171.9	101.4	5,349.6
Unallocated assets[3]	-	-	-	-	193.78
Total assets	4,204.7	871.5	171.9	101.4	5,543.3
Segment liabilities	(748.7)	(41.0)	(51.8)	(123.5)	(965.0)
Unallocated liabilities[3]	-	-	-	-	(3,215.1)
Total liabilities	(748.7)	(41.0)	(51.8)	(123.5)	(4,180.1)
Net assets/(liabilities)	**3,456.0**	**830.5**	**120.1**	**(22.1)**	**1,363.2**
Other segment information:					
Capital expenditure (including ROUA)	199.3	29.1	2.1	3.1	233.6
Depreciation and amortisation	(86.1)	(9.5)	(7.3)	(5.4)	(108.3)

52 weeks ended 26 April 2020	Managed Division £m	Tenanted and Leased £m	Brewing & Brands £m	Corporate £m	Total operations £m
Revenue	1,556.3	157.9	204.8	-	1,919.0
Analysed as follows:					
Goods					
– Drink	868.5	107.7	204.8	-	1,181.0
– Food	620.7	-	-	-	620.7
	1,489.2	107.7	204.8	-	1,801.7
Services					
– Other services[1]	67.1	50.2	-	-	117.3
	67.1	50.2	-	-	117.3
EBITDA[2]	**315.2**	**82.0**	**16.1**	**(1.4)**	**411.9**
Segment operating profit	**186.4**	**69.0**	**7.7**	**(10.0)**	**253.1**
Exceptional and non–underlying operating items					(330.7)
Lease interest	(35.1)	(5.1)	(0.2)	(2.9)	(43.3)
Net Finance costs	-	-	-	-	(152.1)
Income tax charge	-	-	-	-	(22.8)
Net profit for the period	**151.3**	**63.9**	**7.5**	**(12.9)**	**(295.8)**
Balance sheet					
Segment assets	4,330.9	880.4	172.1	59.9	5,443.3
Unallocated assets[3]	-	-	-	-	77.8
Total assets	4,330.9	880.4	172.1	59.9	5,521.1
Segment liabilities[4]	(1,118.8)	(100.8)	(112.2)	(346.0)	(1,677.7)
Unallocated liabilities[3 4]	-	-	-	-	(2,214.3)
Total liabilities	(1,118.8)	(100.8)	(112.2)	(346.0)	(3,892.0)
Net assets/(liabilities)	3,212.1	779.6	59.9	(286.1)	1,629.1
Other segment information:					
Capital expenditure (including ROUA)	131.1	21.4	26.0	6.0	184.5
Depreciation and amortisation	(128.7)	(13.1)	(8.4)	(8.6)	(158.8)

1. Other services include accommodation, rental and machine income.
2. EBITDA represents earnings before interest, tax, depreciation, amortisation and exceptional and non-underlying items and is calculated as operating profit before exceptional and non-underlying items adjusted for the depreciation and amortisation charge for the period.
3. Unallocated assets/liabilities comprise cash, borrowings, pensions, net deferred tax, net current tax, derivatives and indirect tax provisions.
4. Lease liabilities have been restated to their individual segments, having been included within unallocated liabilities in 2020.

Revenue from services includes rent receivable from licensed properties of £9.6m (2020: £45.8m).

Within the 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 £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):

	36 weeks ended 3 January 2021			52 weeks ended 26 April 2020		
	Before exceptional and non-underlying items £m	**Exceptional and non-underlying items £m**	**Total £m**	Before exceptional and non-underlying items £m	Exceptional and non-underlying items £m	Total £m
				(restated)		(restated)
Cost of products sold recognised as an expense	**190.4**	**-**	**190.4**	590.8	-	590.8
Employment costs (Net of furlough income) (note 6)	**292.3**	**3.9**	**296.2**	535.9	4.9	540.8
Depreciation of property, plant and equipment (note 13)	**72.1**	**-**	**72.1**	107.5	-	107.5
Depreciation of right-of-use assets (note 21)	**35.6**	**-**	**35.6**	50.4	-	50.4
Amortisation (note 12)	**0.6**	**-**	**0.6**	0.9	-	0.9
Operating lease rentals:						
Lease expense	**0.4**	**-**	**0.4**	(1.9)	-	(1.9)
Other operating charges	**156.5**	**(42.0)**	**114.5**	382.3	331.8	714.1
Net profit on disposal (note 5)	**-**	**1.6**	**1.6**	-	(6.0)	(6.0)
	747.9	**(36.5)**	**711.4**	1,665.9	330.7	1,996.6

Restatement in the prior year in relation to reclassification of Duty fees of £72.2m to cost of products sold from other operating charges.

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 £55.2m within other operating charges (2020: £6.9m).

Fees earned by the auditor during the year consisted of:

	2021 £m	2020 £m
Audit of the consolidated financial statements	**0.6**	0.6
Audit of subsidiaries	**0.2**	0.2
Non-audit services – other assurance	**-**	0.1
Included in other operating charges	**0.8**	0.9

5 EXCEPTIONAL AND NON-UNDERLYING ITEMS

	36 weeks ended 3 January 2021			52 weeks ended 26 April 2020		
	Exceptional items	**Non- underlying items**	**Total**	Exceptional Items	Non-underlying items	Total
	£m	**£m**	**£m**	**£m**	£m	£m
Included in operating profit						
Acquisition and Integration costs	-	**(3.5)**	**(3.5)**	(23.9)	(4.6)	(28.5)
Employee costs, restructuring charges, and other legal and professional fees	-	**(0.3)**	**(0.3)**	-	(6.5)	(6.5)
COVID-19 related (credit)/ charges	**8.7**	-	**8.7**	(45.0)	-	(45.0)
Net impairment of property, plant and equipment, right-of-use assets and Other financial assets (notes 12,13, 14 and 21)	**30.1**	-	**30.1**	(284.7)	-	(284.7)
Insurance proceeds	-	-	-	-	1.9	1.9
Net decrease/(increase) in provisions (note 24)	**7.0**	**(3.2)**	**3.8**	26.0	0.1	26.1
Net (loss)/profit on disposal of property, plant and equipment and goodwill	-	**(1.6)**	**(1.6)**	-	6.0	6.0
Defined benefit obligations	**(0.7)**	-	**(0.7)**	-	-	-
	45.1	**(8.6)**	**36.5**	(327.6)	(3.1)	(330.7)
Included in financing costs						
(Loss) on settlement of financial liabilities	-	-	-	(2.5)	-	(2.5)
Amounts recycled from hedging reserve in respect of settled interest rate liabilities	-	**(5.6)**	**(5.6)**	(22.7)	(9.4)	(32.1)
Fair value movements of derivatives held at fair value through profit and loss	-	-	-	(15.3)	-	(15.3)
	-	**(5.6)**	**(5.6)**	(40.5)	(9.4)	(49.9)
Total exceptional and non-underlying items before tax	**45.1**	**(14.2)**	**30.9**	(368.1)	(12.5)	(380.6)
Tax impact of exceptional items	**(28.3)**	-	**(28.3)**	3.6	-	3.6
Tax impact of non-underlying operating/financing items	-	**(1.6)**	**(1.6)**	-	(1.2)	(1.2)
Non-underlying tax impact	-	**(35.4)**	**(35.4)**	-	-	-
Tax charge in respect of rate change	-	-	-	-	(3.9)	(3.9)
Adjustment in respect of prior periods	-	**(9.3)**	**(9.3)**	1.0	(1.8)	(0.8)
Total exceptional and non-underlying tax	**(28.3)**	**(46.3)**	**(74.6)**	4.6	(6.9)	(2.3)
Total exceptional and non-underlying items after tax	**16.8**	**(60.5)**	**(43.7)**	(363.5)	(19.4)	(382.9)

Exceptional operating costs

The group incurred deal fees of £23.9m in the prior period in relation to the successful acquisition of the group by CK Asset Holdings Limited on 30 October 2019.

The group has recognised a credit of £8.7m (2020: £45.0m charge) directly attributable to the COVID-19 outbreak. These costs include £5.1m (2020: £11.8m) write off or increase in provisions for obsolete stock (note 16), a decrease in the provisioning required for trade debtors of £12.8m (2020: £17.1m increase) and £6.5m (2020: £14.6m increase) for free trade loans (note 23). The group also incurred £8.9m of direct costs relating to the pandemic in order to reopen. These include the one-off cost of changing the look and feel of the pubs and the launch of our PUBSAFE initiative to meet Government guidance in order to reopen, the one-off costs of collecting kegs from pubs from UK lockdowns where pubs were ordered to shut by the UK Government and the initial order of PPE to allow the pubs to open safely following the initial lock-down. In addition, the group recognised lease concessions (net of fees) totalling £3.4m from landlords that qualified under the COVID-19-Related Rent Concessions – Amendment to IFRS 16.

During the period to 3 January 2021 the group has recognised a net impairment reversal of £30.1m (2020: £284.7m charge), comprising £nil (2020: £194.3m charge) in relation to goodwill, £30.4m reversal (2020: £89.7m charge) in relation to property, plant & equipment and right-of-use asset, £nil (2020: £0.7m charge) in relation to brand intangible assets and £0.3m charge on other financial assets.

The goodwill impairment charge of £194.3m in the prior year was recognised in the Brewing & Brands division to reflect the continuing challenging trading conditions of the real-ale market, continued inflation within the cost base and the impact of COVID-19.

The impairment charge relating to properties (property, plant & equipment and right-of-use asset) comprises of a gross charge of £26.3m (2020: £105.3m) offset by a reversal of previously recognised impairment losses of £56.7m (2020: £15.6m). Of the £30.4m net impairment reversal, £30.5m reversal was recognised to reflect updated trading assumptions, market valuation review conducted at year-end and the continued uncertainty of COVID-19 (see notes 13 and 21 for further details). A £0.1m charge has been recognised due to a decision taken to exit some sites during the financial year and £nil in respect of properties damaged by fire.

Prior to the acquisition by Greene King in 2015, the Spirit Pub Company group agreed not to settle disputed VAT of £18.0m with HMRC and held a provision in the financial statements for the expected settlement. On 15 April 2020 the Upper Tribunal ruled strongly in the appellants favour, which followed an equally strong ruling in the appellants favour at the First Tier Tribunal. Given the strength of the ruling, and the advice provided by external advisors, the group considered the repayment of the £18.0m VAT and associated accrued interest of £8.0m to no longer be probable and therefore the provision was released. The Greene King Limited group previously paid £7.0m of VAT to HMRC for the same matter in relation to the same period of time. Due to the strength of the ruling from the First Tier Tribunal the group considers the £7.0m recoverable and has therefore been recognised as income in the period. At the reporting date, this cash not yet been recovered from HMRC.

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.

Non-underlying operating costs

Following acquisition by CK Asset Holdings Ltd a number of incremental costs were incurred by the group. Legal and professional fees totalling £nil (2020: £0.6m) to support the integration, a share-based payment charge of £nil (2020: £1.6m) to align to agreed pay-out levels as set by the deal, and £3.5m (2020: £2.4m) of costs associated with a longer-term retention scheme offered to management as part of the acquisition.

During the period the group incurred £0.3m (2020: £6.5m) of employee costs, restructuring charges and other legal and professional fees. This included £0.6m (2020: £3.7m) of costs incurred in relation to the re-positioning of the Brewing & Brands division in light of challenging market conditions, including the transition to a new wet distribution supplier at the end of the prior financial year and continuing this year. A further credit of £0.3m (2020: £2.8m charge) of non-underlying legal and professional fees were incurred in relation to group refinancing activities and defending uncertain tax positions.

In the prior year the group received insurance compensation of £1.9m to meet the costs of restoring sites damaged by fire, flood or external contamination in previous years.

A charge of £3.2m (2020: £0.1m credit) has been incurred to increase the property lease provisions relating to dilapidations and assigned lease contracts.

The net loss on disposal of property, plant and equipment and goodwill of £1.6m (2020: £6.0m profit) comprises a total profit on disposal of £6.3m (2019: £25.6m) and a total loss on disposal of £7.9m (2020: £19.6m).

Exceptional finance costs

In the prior year the group settled financial liabilities in relation to the Spirit secured financing vehicle and the Greene King secured financing vehicle, recognizing a net loss of £1.0m. In June 2019 the remaining £93.5m outstanding Spirit A4 secured bonds were repaid at par. In March 2020 the £75.3m Greene King A1 secured bonds, £21.4m Greene King A3 secured bonds and £186.6m Spirit A2 secured bonds were repaid in full at par. Exceptional gains or losses recognised in respect of these transactions amount to the difference between the carrying value of the repaid bonds, comprising the nominal value and either a fair value premium (in the case of the Spirit bonds) or capitalised issuance costs (in the case of the Greene King bonds), and the settlement amount paid.

In November 2019 the group also terminated revolving credit facilities totalling £750m, which had been due to mature in November 2020 and October 2021. The group recognised an exceptional loss of £1.5m amounting to the difference between the carrying value of the facilities upon termination (comprising the nominal value of the drawn amount and capitalised fees) and the settlement amount paid.

In the prior year, in conjunction with the repayment of the Greene King A1 and A3 secured bonds in March 2020 the group terminated two interest rate swap contracts which had been designated cash flow hedges of the repaid bonds, resulting in the crystallisation of mark-to-market losses taken to the hedging reserve over the life of the swaps. These amounts were recycled from the hedging reserve to the income statement in full and an exceptional loss of £16.6m was recognised in respect of this. Additionally, unrecycled losses taken to the hedging reserve in respect of a settled swap which had been a designated hedge of the group's floating rate bank loans were recycled to the income statement in full during the period following the termination of the group's revolving credit facilities in November 2019, and a further exceptional charge of £6.1m was recognized in respect of this.

In a prior year the group acquired, as part of a business combination, derivatives which have subsequently been accounted for at fair value through profit and loss as they were deemed at acquisition not to qualify for hedge accounting. An exceptional loss of £15.3m was recognised in the prior year in relation to mark-to-market movement on these derivatives, excluding amortisation of fair value on acquisition which reduces the pre-exceptional finance costs that include interest paid (note 23). Mark-to-market movements are considered to be exceptional owing to their volatility and are shown separately to ensure pre-exceptional finance costs are more readily comparable each year. Fair value amortisation is deemed to be a pre-exceptional item as it adjusts swap interest to a market rate.

Non-underlying finance costs

In previous periods, the group settled a number of its swap liabilities that were hedging cash flows relating to the Greene King 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. A non-underlying charge of £5.6m (2020: £9.4m) has been recognised in respect of this during the year.

Exceptional tax

The exceptional tax charge of £28.3m (2020: £11.7m credit) has been 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 relates to a one-off change in UK Corporation Tax legislation on the utilisation of capital losses.

An exceptional tax charge of £1.6m (2020: £8.6m credit) is in respect of the exceptional COVID-19 related charges.

A £1.3m exceptional tax charge also arises from the HMRC Rank case refund.

An exceptional tax charge of £1.5m (2020: £4.2m credit) has been recognised in respect of the accounting impairment charge recognised on the IFRS 16 right-of-use asset.

An exceptional deferred tax credit of £4.4m (2020: £5.2m charge) relates to the recognition (2020: de-recognition) of a deferred tax asset on interest previously restricted under the Corporate Interest Restriction rules.

In the prior year, there was an exceptional tax credit of £3.6m in current tax for the deductions arising on the losses recycled from the hedging reserve on settlement of the swaps and settlement of other financial liabilities. An exceptional tax credit of £2.9m was also recognised in respect of fair value movements of derivatives.

In the prior year, there was an exceptional tax charge of £4.1m in respect of the release of provision for VAT and associated interest.

In the prior year, there was an exceptional tax charge of £18.4m relating to the impact of the Corporate Interest Restriction rules as a result of swap settlements in the year.

In the prior year, the adjustment in respect of prior years' tax arose from finalising the tax returns for earlier periods.

Non-underlying tax

A non-underlying tax charge of £35.4m has been recognised as the deferred tax impact to the IFRS 16 temporary differences, largely driven by the acquisition of the freehold reversion (note 30) and subsequent transfer of the IFRS 16 right-of-use asset and lease liability.

A non-underlying charge of £3.2m (2020: £4.2m charge) is in respect of movements on the deferred tax on the licensed estate. This is the result of non-underlying accounting adjustments, such as the loss on disposal, and other movements in the tax base including rolled over gains adjustments.

A non-underlying tax credit of £1.6m has been recognised relating to the deferred tax asset on losses generated by the other accounting operating and financing non-underlying adjustments.

The adjustment in respect of prior years relates to corrections required to tax returns for earlier periods.

In the prior year, there was a non-underlying tax credit of £1.3m in respect of the integration costs and other legal and professional fees incurred.

In the prior year, there was a non-underlying tax credit of £1.7m for the deductions allowed on the recycled losses from the hedging reserve.

In the prior year, there was a non-underlying tax charge in respect of rate changes as a result of maintaining the tax rate from 1 April 2020 at 19%. This was enacted by a "Ways and means" motion on the 17 March 2020 and has statutory effect under the Provisional Collection of Taxes Act 1968.

6 EMPLOYMENT COSTS

Employment costs (Including Directors) comprise:

	36 weeks ended 3 January 2021 Total £m	52 weeks ended 26 April 2020 Total £m
Wages and Salaries (Net of furlough income)	**265.2**	492.5
Other share-based payments (note 8)	**-**	2.8
Total wages and salaries	**265.2**	495.3
Social security costs	**22.4**	34.8
Other pension costs (note 9)		
- Defined contribution	**7.9**	10.7
- Defined benefit – Past Service costs	**0.7**	-
	296.2	540.8

The total expense of share-based payments relates to equity-settled schemes, these have all been settled in the prior year as a result of the acquisition. See note 8 for further details.

Wages and salaries have been shown net due to Government subsidies of £136.0m (2020: £30.3m) in relation to staff members who have been furloughed as a result of COVID-19.

Compensation of the directors and other key management personnel of the group	36 weeks ended 3 January 2021 £m	52 weeks ended 26 April 2020 £m
Short term employment benefits (including National Insurance contributions)	**2.8**	5.2
Post-employment pension and medical benefits	**0.5**	0.5
Termination benefits	**-**	0.1
Share-based payments	**-**	1.3
Included in other operating charges	**3.3**	7.1

Included within the above are costs for Non-Executive Directors prior to the acquisition by CK Asset Holdings Limited on 30 October 2019, when the Non-Executive Directors resigned. The fees payable to non-executive directors in the year up to 26 April 2020 was £0.3m.

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.

All share schemes were settled in the prior year as a direct result of the acquisition. Retirement benefits are accruing to two directors under the companies defined contribution pension scheme (2020: 2).

Highest Paid Director

	36 weeks ended 3 January 2021 £m	52 weeks ended 26 April 2020 £m
Aggregate renumeration and benefits (excluding gains on exercise of share options and value of shares received) under long-term incentive schemes	**0.4**	0.8

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

	36 weeks ended 3 January 2021	52 weeks ended 26 April 2020
Managed Division	**39,718**	36,308
Tenanted and Leased	**78**	63
Brewing & Brands	**787**	799
Corporate	**741**	763
	41,324	37,933

The figures above include 29,132 (2020: 25,880) part-time team members.

7 FINANCE (COSTS) / INCOME

	36 weeks ended 3 January 2021	52 weeks ended 26 April 2020
	£m	£m
Bank loans and overdrafts	**(2.1)**	(6.6)
Commercial Paper	**(0.5)**	-
Secured bonds and associated interest rate swaps, liquidity facilities and fees	**(51.6)**	(91.7)
Loans from related parties	**(9.9)**	(4.7)
Fair value movements of derivatives held at fair value through profit and loss	**-**	(15.3)
Loss on settlement of financial liabilities	**-**	(2.5)
Amounts recycled from hedging reserve in respect of settled interest rate liabilities	**(5.6)**	(32.1)
Interest in respect of tax positions and adjustments	**(0.3)**	(0.8)
Interest and finance costs on lease liabilities (note 21)	**(30.0)**	(43.3)
Total finance costs	**(100.0)**	(197.0)
Bank interest receivable	**-**	0.7
Net finance income from pensions (note 9)	**0.6**	0.8
Interest income in respect of tax positions and adjustments	**0.1**	0.1
Total finance income	**0.7**	1.6
Net finance costs	**(99.3)**	(195.4)

8 SHARE-BASED PAYMENT PLANS

The group previously operated three types of share-based payment arrangements: a senior management long-term incentive plan (LTIP/growth LTIP), a deferred share scheme for other management and a general employee share option plan (SAYE). Upon acquisition by CK Asset Holdings Limited on 30 October 2019, these schemes vested at expected performance and were settled in the prior year based on the fair value of share prices that had been accrued under each scheme and were payable to employees and directors.

The total charge recognised for the year ending 26 April 2020 arising from share-based payment transactions including National Insurance contributions was £2.8m with a corresponding credit of £2.3m recognised in equity.

9 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 £7.9m (2020: £10.7m).

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. The triennial reviews for both the Greene King and Spirit pension schemes have now been finalised. 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, 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 36-week period was £3.0m (2020: £4.6m).

An actuarial valuation was carried out for IAS 19 purposes as at 3 January 2021 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, 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 was £nil (2020: £nil).

An actuarial valuation was carried out for IAS 19 purposes as at 3 January 2021 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					
	3 January 2021			26 April 2020		
	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	**4.4**	**6.3**	**10.7**	8.9	12.3	21.2
Interest on scheme liabilities	**(4.4)**	**(5.7)**	**(10.1)**	(8.9)	(11.5)	(20.4)
Net interest on net defined benefit asset	**-**	**0.6**	**0.6**	-	0.8	0.8

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.

The values of the schemes' liabilities have been determined by a qualified actuary based on the results of the last actuarial valuation, updated to 3 January 2021 using the following principal actuarial assumptions:

	3 January 2021		26 April 2020	
	Greene King	**Spirit**	Greene King	Spirit
Discount rate	**1.4%**	**1.4%**	1.7 %	1.7%
Expected pension payment increases	**2.9%**	**2.9%**	2.5%	2.5%
Rate of inflation (RPI)	**2.9%**	**2.9%**	2.5%	2.5%
Rate of inflation (CPI)	**2.1%**	**2.1%**	1.7%	1.7%
The mortality assumptions imply the following expectations of years of life from age 65:				
Man currently aged 40	**23.4**	**23.4**	23.3	23.3
Woman currently aged 40	**25.5**	**25.5**	25.5	25.5
Man currently aged 65	**21.6**	**21.6**	21.6	21.6
Woman currently aged 65	**23.6**	**23.6**	23.5	23.5

Mortality assumptions are based on standard tables adjusted for scheme experience and with an allowance for future improvement in life expectancy.

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

	3 January 2021			26 April 2020		
	Greene King £m	**Spirit £m**	**Total £m**	Greene King £m	Spirit £m	Total £m
Investment quoted in active markets						
Equities	**34.1**	**88.1**	**122.2**	97.6	110.6	208.2
Bonds	**398.3**	**412.4**	**810.7**	269.7	358.8	628.5
Unquoted investments						
Property	**-**	**37.6**	**37.6**	-	37.0	37.0
Annuities insurance contracts	**4.3**	**40.5**	**44.8**	4.2	40.4	44.6
Cash	**(28.3)**	**6.3**	**(22.0)**	4.3	0.6	4.9
Total fair value of assets	**408.4**	**584.9**	**993.3**	375.8	547.4	923.2
Present value of scheme liabilities:						
Funded plans	**(406.7)**	**(538.3)**	**(945.0)**	(374.8)	(496.6)	(871.4)
Non-current (liability)/asset recognised	**1.7**	**46.6**	**48.3**	1.0	50.8	51.8

£279.6m (2020: £282.35m) 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 (liability)/ asset**
	Greene King £m	**Spirit £m**	**Greene King £m**	**Spirit £m**	**£m**
Post-employment assets/(liabilities) at 28 April 2019	**361.8**	**503.6**	**(363.1)**	**(471.2)**	**31.1**
Pension interest income/(costs) recognised in the income statement	8.9	12.3	(8.9)	(11.5)	0.8
Benefits paid	(18.8)	(20.7)	18.8	20.7	-
Remeasurement gains/(losses) in other comprehensive income:					
Return on plan assets (excluding amounts included in net interest expenses)	19.3	52.2	-	-	71.5
Actuarial changes arising from changes in demographic assumptions	-	-	(2.4)	(3.9)	(6.3)
Actuarial changes arising from changes in financial assumptions	-	-	(19.2)	(30.7)	(49.9)
Contributions paid	4.6	-	-	-	4.6
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**

Presented in the balance sheet as follows:

	2021 £m	2020 £m
Post-employment assets	**48.3**	51.8

The past service cost 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	
	2021	2020
	£m	£m
0.25% points increase in discount rate	**39.0**	35.8
0.25% points increase in inflation assumption	**(33.0)**	(29.2)
Additional one-year increase to life expectancy	**(39.8)**	(36.7)

The following payments, which are also the minimum funding requirements, are the expected contributions to the defined benefit plan in future years:	**2021** **£m**	2020 £m
Within 1 year	**4.5**	4.5
Between 2 and 5 years	**4.5**	7.5
	9.0	12.0

The average duration of the defined benefit scheme's obligations at the end of the reporting year is 17 years (2020: 16–17 years).

10 TAXATION

	3 January 2021 Total	26 April 2020 Total
Consolidated income statement	**£m**	£m
Income tax		
Corporation tax before exceptional and non-underlying items	-	20.0
Payable on exceptional and non-underlying items	-	5.8
Current income tax	-	25.8
Adjustment in respect of prior periods	**1.6**	1.7
	1.6	27.5
Deferred tax		
Origination and reversal of temporary differences	**11.5**	(7.7)
Adjustment in respect of prior periods	**7.7**	(0.9)
Tax charge in respect of rate change	-	3.9
	19.2	(4.7)
Tax charge in the income statement	**20.8**	22.8

Group statement of comprehensive income	**3 January 2021 £m**	26 April 2020 £m
Deferred tax		
Remeasurement gains on defined benefit pension schemes	**(0.8)**	3.3
Net loss on revaluation on cash flow hedges	**(2.1)**	(3.8)
Total tax	**(2.9)**	(0.5)
Income Tax		
Current Tax on defined benefit pension schemes	-	(0.4)
	(2.9)	(0.9)

Group statement of changes in equity	**3 January 2021 £m**	26 April 2020 £m
Deferred tax		
Share-based payment – future taxable benefit	-	0.4
Deferred tax reported in equity	-	0.4
Income tax		
Share-based payments – current taxable benefit	-	(1.0)
Total tax reported in equity	-	(0.6)

Reconciliation of income tax expense for the year	3 January 2021 £m	26 April 2020 £m
The effective rate of taxation is higher (2020: higher) than the full rate of corporation tax. The differences are explained below:		
Profit before tax	**(248.6)**	(273.0)
Profit before tax multiplied by standard rate corporation tax of 19.0% (2020: 19.0%)	**(47.2)**	(51.9)
Adjusted for the effects of:		
Recurring items:		
Expenditure not allowable for tax purposes	**0.6**	3.7
Impact of non-deductible interest	**-**	18.4
Non-deductible impairment on goodwill	**-**	36.9
Effect of change in tax legislation	**28.3**	-
Impact of deferred tax in respect of licensed estate	**(1.0)**	5.8
Impact of deferred tax movements on IFRS16	**35.2**	-
Impact of change in tax rate on deferred tax balances	**-**	3.9
Recognition/(Derecognition) of deferred tax in respect of interest restrictions	**(4.4)**	5.2
Adjustment in respect of prior years – income tax	**1.6**	1.7
Adjustment in respect of prior years – deferred tax	**7.7**	(0.9)
Income tax expense reported in the income statement	**20.8**	22.8

A one-off adjustment to de-recognise part of the brought forward deferred tax asset on capital losses of £28.3m has been recorded. This is following enacted changes to UK Corporation Tax legislation to include capital losses within the 'Corporate Loss Restriction' rules.

In addition, there is a one-off deferred tax charge to increase the deferred tax liability on IFRS 16 for £35.3m in relation to differences in accounting for the right-of-use asset and lease liability between group and the sum of the subsidiaries where those differences have no impact to the group income statement. This difference was largely driven by the acquisition of the freehold reversion (note 30) and the subsequent transfer of the IFRS 16 right-of-use asset and lease liability.

Income tax payable

The group's current tax position of £17.6m (2020: £5.6m) reflects the amount of tax payable on open tax computations. It includes the expected liabilities in respect of uncertain tax positions of £4.1m (2020: £4.1m) which was 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 (restated) £m	IFRS 16 £m	Derivatives £m	Share-based payments £m	Off-market contract liabilities £m	Accelerated capital allowances £m	Other temporary differences (restated) £m	Trading losses carried forward £m	Total £m
At 28 April 2019	49.9	-	44.1	0.1	2.2	-	10.5	0.3	107.1
Reclassed to IFRS 16	-	-	-	-	(2.2)	-	-	-	(2.2)
Credit/(charge) to equity/comprehensive income	-	-	3.8	(0.4)	-	-	-	-	3.4
Credit/(charge) to the income statement	5.8	12.0	(10.8)	0.3	-	-	4.7	-	12.0
Transfer to deferred tax liabilities	-	(0.2)	-	-	-	-	-	-	(0.2)
At 26 April 2020	**55.7**	**11.8**	**37.1**	**-**	**-**	**-**	**15.2**	**0.3**	**120.1**
Credit/(charge) to equity/comprehensive income	-	-	2.1	-	-	-	-	-	2.1
Credit/(charge) 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**

Deferred tax liabilities	Post-employment assets £m	Accelerated capital allowances £m	Operating lease intangibles £m	Accelerated capital allowances £m	IFRS 16 £m	Total £m
At 28 April 2019	(5.2)	(18.9)	(17.3)	(82.3)	-	(123.7)
Reclassed to IFRS 16	-	0.3	17.3	-	(15.4)	2.2
Restated under IFRS16 as at 29 April 2019	-	-	-	-	15.2	15.2
As at 29 April 2019	(5.2)	(18.6)	-	(82.3)	(0.2)	(106.3)
Credit/(charge) to equity/comprehensive income	(3.3)	-	-	-	-	(3.3)
Credit/(charge) to the income statement	(1.2)	4.6	-	(10.7)	-	(7.3)
Transfer to deferred tax assets					0.2	0.2
At 26 April 2020	**(9.7)**	**(14.0)**	**-**	**(93.0)**	**-**	**(116.7)**
Credit/(charge) to equity/comprehensive income	0.8	-	-	-	-	0.8
Credit/(charge) to the income statement	(0.2)	-	-	(3.9)	(43.6)	(47.7)
Transfer to deferred tax assets	-	14.0	-	-	11.8	25.8
At 3 January 2021	**(9.1)**	**-**	**-**	**(96.9)**	**(31.8)**	**(137.8)**

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.

The deferred tax asset on other temporary differences is primarily made up of two balances relating to intercompany lease premiums and to general provisions, 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 £4.6m (2020: £6.2m). 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, £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.

	3 January 2021 £m	26 April 2020 £m
Deferred tax liability	**(12.9)**	–
Deferred tax asset	**-**	3.4
Net deferred tax (liability)/asset	**(12.9)**	3.4

At 3 January 2021, the group had unused trading losses of £150.0m (2020: £1.4m) and unused capital losses of £766.3m (2020: £770.7m). A deferred tax asset of £28.5m (2020: £0.3m) has been recognised in respect of trading losses and a deferred tax asset of £27.4m (2020: £55.7m) 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 3 January 2021, the group also has a total of £67.3m (2020: £134.6m) of excess interest restrictions which have not been recognised as a deferred tax asset as the group does not expect these to unwind. There is no expiry date on this excess cumulative interest restrictions.

Factors that may affect future tax charges

Under Finance Act 2020 enacted on 22 July 2020, the Corporation Tax rate for the 12 months from 01 April 2021 remains at 19%, therefore the enacted rate at the balance sheet date is unchanged at 19%. The net deferred tax liability has been calculated using the rates at which each temporary difference is expected to reverse.

If the tax rate used for deferred tax assets and liabilities was revised upwards to 25% (in line with the announcement at the 2021 Budget as the planned main rate of Corporation Tax from 1 April 2023), the net deferred tax liability would increase by £4.1m.

11 DIVIDENDS PAID AND PROPOSED

	3 January 2021 £m	26 April 2020 £m
Declared and paid in the period		
Dividend for 2021: nil (2020: 8.65p)	-	27.0
Final dividend for 2020: nil (2019: 24.4p)	-	75.6
	-	102.6

12 GOODWILL AND OTHER INTANGIBLE ASSETS

	Brand intangibles £m	Operating lease intangibles £m	Total other intangibles £m	Goodwill £m
Cost				
At 28 April 2019	16.1	137.4	153.5	1,104.7
Adjustment for transition to IFRS 16	-	(137.4)	(137.4)	-
Adjusted at 29 April 2019	16.1	-	16.1	1,104.7
Disposal	-	-	-	(4.2)
At 26 April 2020	16.1	-	16.1	1,100.5
Disposal	-	-	-	(1.0)
At 3 January 2021	**16.1**	**-**	**16.1**	**1,099.5**
Impairment and amortisation				
At 28 April 2019	5.7	35.6	41.3	-
Adjustment for transition to IFRS 16	-	(35.6)	(35.6)	-
Adjusted at 29 April 2019	5.7	-	5.7	-
Amortisation	0.9	-	0.9	-
Impairment (note 5)	0.7	-	0.7	194.3
At 26 April 2020	7.3	-	7.3	194.3
Amortisation	0.6	-	0.6	-
At 3 January 2021	**7.9**	**-**	**7.9**	**194.3**
Net book value				
At 3 January 2021	**8.2**	**-**	**8.2**	**905.2**
At 26 April 2020	8.8	-	8.8	906.2
Adjusted as at 29 April 2019	10.4	-	10.4	1,104.7
At 28 April 2019	10.4	101.8	112.2	1,104.7

Operating lease intangibles were recognised as part of the initial measurement of the right-of-use asset on 29 April 2019.

Other intangibles consist of brand intangibles and operating lease intangibles both recognised as part of business combinations. Brand intangibles are amortised over the expected life of the asset and have a remaining useful life of 10 years and all relate to the Managed Division. The recoverable amount for assets impaired was based on value in use.

All goodwill was recognised as part of business combinations.

Goodwill has been allocated to operating 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:

	3 January 2021 £m	26 April 2020 £m
Managed Division	**686.2**	686.7
Tenanted and Leased	**178.4**	178.9
Brewing & Brands	**40.6**	40.6
	905.2	906.2

Goodwill disposed of in the year

	3 January 2021 £m	26 April 2020 £m
Managed Division	**0.5**	1.2
Tenanted and Leased	**0.5**	3.0
	1.0	4.2

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, which reflects a moderate return to pre COVID-19 trading levels;
- The discount rate has been based on the group's WACC of 6.7%. As the risk factors are considered to be similar in each of the group's operating segments the same discount rate is applied to all three divisions; and
- A long-term growth rate of 1.5% in the Managed Division, 1.8% in Tenanted and Leased and -3% in Brewing & Brands has been used. These rates are all below the long-term UK inflation of 1.8% to 2% and reflect the anticipated trends in future trading performance.

An impairment charge of £194.6m was recognised in the prior year on goodwill held within the Brewing & Brands division; see note 5 for further details.

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 reasonable 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.

13 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 28 April 2019	3,301.8	1,042.5	83.0	155.8	4,583.1
Adjustment for transition to IFRS 16	(2.6)	-	-	-	(2.6)
Adjusted at 29 April 2019	3,299.2	1,042.5	83.0	155.8	4,580.5
Additions	54.6	94.2	1.3	8.4	158.5
Transfer to property, plant and equipment held for sale	(2.3)	(0.5)	-	-	(2.8)
Disposals	(31.4)	(9.5)	(3.1)	(1.9)	(45.9)
Reclassification	(51.7)	60.3	(12.7)	(5.0)	(9.1)
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**
Depreciation and impairment					
At 28 April 2019	268.8	647.1	20.8	109.4	1,046.1
Adjustment for transition to IFRS 16	(0.1)	-	-	-	(0.1)
Adjusted at 29 April 2019	268.7	647.1	20.8	109.4	1,046.0
Depreciation	10.8	85.3	0.9	10.5	107.5
Written back on disposals	(10.8)	(9.9)	(2.2)	(1.1)	(24.0)
Impairment (see below)	70.1	11.0	1.2	-	82.3
Impairment reversal (see below)	(14.6)	(1.0)	-	-	(15.6)
Transfer to property, plant and equipment held for sale	(0.5)	(0.4)	-	-	(0.9)
Reclassification	(16.2)	10.7	(4.8)	1.2	(9.1)
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**
Net book value					
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
Adjusted as at 29 April 2019	3,030.5	395.4	62.2	46.4	3,534.5
At 28 April 2019	3,033.0	395.4	62.2	46.4	3,537.0

Additions in the period	**3 January 2021**
Consideration paid for Freehold reversion (note 30)	373.2
Transfer of right-of-use assets (note 21)	270.3
Transfer of lease liabilities (note 21)	(459.9)
Total capitalised for freehold reversions	183.6
Other property, plant and equipment additions	48.7
Total additions	232.3

Properties held under finance leases were reclassified to right-of-use assets on transition to IFRS 16 in the prior year.

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:

	3 January 2021 £m	26 April 2020 £m
Freehold properties	**3,064.7**	2,860.6
Leasehold properties >50 years unexpired term	**94.9**	94.5
Leasehold properties <50 years unexpired term	**56.8**	58.4
	3,216.4	3,013.5

Review of property, plant and equipment

In the prior year, following a review of the fixed asset register, assets with an aggregate cost (and accumulated depreciation) of £9.1m were reclassified between asset categories and is reflected in the above reconciliation of movements in property, plant and equipment.

Valuation

The licensed estate properties were valued by the group's own professionally qualified chartered surveyors, as at 20 December 2003, on the basis of existing use value, in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Standards. A representative sample of properties was also valued by external valuers, Gerald Eve Chartered Surveyors and Property Consultants, who confirmed that the values were consistent with their appraisal. Frozen revaluation has been taken as deemed cost on the transition to IFRS, therefore no historic cost analysis is provided.

Up to 1999 the brewery and depots were valued at depreciated replacement cost and other properties at open market value. These valuations have been retained but they have not been updated. Subsequent additions have been included at cost or, in the case of acquisitions, at fair value.

Charges over assets

Included in property, plant and equipment are assets with a group net book value of £1,953.1m (2020: £1,965.1m) and £462.2m (2020: £475.3m) 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

	3 January 2021 £m	26 April 2020 £m
Contracted for	**12.0**	7.8

Impairment of property, plant and equipment

During the period to 3 January 2021 the group has recognised a net impairment gain of £22.6m (2020: loss £66.7m). This is comprised of an impairment charge of £23.7m (2020: £82.3m) and reversal of previously recognised impairment losses of £46.3m (2020: £15.6m). 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:

	3 January 2021			26 April 2020		
	Impairment £m	**Reversal of impairment £m**	**Net impairment £m**	Impairment £m	Reversal of impairment £m	Net impairment £m
Managed Division	**20.0**	**(41.6)**	**(21.6)**	68.9	(10.9)	58.0
Tenanted and Leased	**3.7**	**(4.6)**	**(0.9)**	12.2	(3.7)	8.5
Corporate	**-**	**(0.1)**	**(0.1)**	1.2	(1.0)	0.2
	23.7	**(46.3)**	**(22.6)**	82.3	(15.6)	66.7

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 a combination 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 6.7% (2020: 7.5%) and the long-term growth rate of 1.5% in Managed Division and 1.8% in Tenanted and Leased 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 operating segments the same level of discount rate is applied to all.

Cash flow projections relating to individual CGUs have been made based on historic trends adjusted for management's estimates of long-term future growth rates.

The impact of COVID-19 has been estimated on both the value-in-use and fair value less cost to sell valuations, with the latter based on a full external valuation being performed on trading sites in December 2020. The external valuation indicates a market value of £4.3bn, versus a combined book value of property, plant and equipment, right-of-use assets and associated lease liabilities of £3.5bn. 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 23. The ongoing challenge of the outbreak of COVID-19 has resulted in an unprecedented set of circumstances on which to form this judgement.

The external valuer has therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to their valuation than would normally be the case, given the unknown future impact that COVID-19 might have on the real estate market.

The COVID-19 discount applied to both value-in-use and fair value less cost to sell valuations has been calculated based on an estimation of the reduction in cash flows each CGU would incur over the next 3 years. The key assumptions include an expectation of recovery of trade to pre-COVID-19 levels, level of investment to comply with potential Government legislation, and wider economic factors impacting the pub property market. These assumptions have been applied on a portfolio basis across our different customer propositions based on geography, location and trading profile. As disclosed in note 1, these assumptions are inherently uncertain and therefore there is significant estimation uncertainty associated with the recoverable values used in the impairment assessment for property plant and equipment, and right of use assets.

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:**	
	2021	2020	**2021**	2020	**2021**	2020
	£m	£m	**£m**	£m	**£m**	£m
Increased net impairment resulting from:						
Managed Division	**16.6**	15.6	**13.2**	35.0	**9.4**	51.4
Tenanted and Leased	**1.8**	1.2	**1.9**	3.9	**1.8**	4.8
	18.4	16.8	**15.1**	38.9	**11.2**	56.2

14 FINANCIAL ASSETS

	3 January 2021 £m	26 April 2020 £m
Trade loans (net of provision)	**3.9**	0.9
Total current	**3.9**	0.9
Trade loans (net of provision)	**6.2**	3.8
Other financial assets	**-**	0.3
Total non-current	**6.2**	4.1

Trade loans are net of provisions of £10.0m (2020: 16.5m, 2019: £2.1m). During the year £nil (2020: £0.5m) of the provision was utilised and £6.5m (2020: £14.9m created) of provisions reversed. All trade loans, net of any provision recognised, are considered to be neither past due nor impaired.

Information about the group's exposure to credit and market risks, and impairment losses for Trade Loans is included in note 23.

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 exceptional items.

Trade loans are advanced to customers on terms linked to supply terms such that returns are greater than interest income. The fixed rate trade loans amounted to £10.9m (2020: £11.8m) and variable rate trade loans amounted to £9.2m (2020: £9.4m). Included in fixed rate loans are £10.0m of loan with settlement related to purchase levels (2020: £11.0m). 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.

The fixed rate trade loans had a weighted average interest rate of 0.0% (2020: 0.1%) and a weighted average period of 2.19 years (2020: 2.55 years). Interest rates on variable rate trade loans are linked to base rates.

	3 January 2021 £m	26 April 2020 £m
Trade loans (net of provision)		
Balance at beginning of year	**4.7**	22.1
Advances	**1.9**	4.8
Repayments	**(3.0)**	(7.3)
Provisions reversed/(created)	**6.5**	(14.9)
Balance at end of year	**10.1**	4.7

15 SUBSIDIARY UNDERTAKINGS

The subsidiary undertakings 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]	Property	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%
Morrells of Oxford Limited[5]	In MVL	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%
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]	Financing	England & Wales	Subsidiary	Ordinary shares	100%
Ashes Investment LP[1]	Financing	England & Wales	Subsidiary	Ordinary shares	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]	Financing	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[1]	Financing	England & Wales	Subsidiary	Ordinary shares	100%
Huggins and Company Limited[1]	Non-trading	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]	Financing	Scotland	Subsidiary	Ordinary shares	100%
Mountloop Limited[1]	Non-trading	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]	Non-trading	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]	Financing	England & Wales	Subsidiary	Ordinary shares	100%
Sapphire Rural Destination 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[6,7]	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]	Non-trading	Cayman Islands	Subsidiary	Ordinary shares	100%
Spirit Funding Limited[4]	Non-trading	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]	Non-trading	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]	Non-trading	England & Wales	Subsidiary	Ordinary shares	100%
Spirit Parent Limited[1]	Holding company	England & Wales	Subsidiary	Ordinary shares	100%
Spirit Pub Company (Derwent) Limited[1]	Non-trading	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]	Administration	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]	Procurement	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: Resolve Partners Limited, 22 York Buildings, John Adam Street, London, WC2N 6JU.
6. Registered office: Resolve Advisory Limited, 22 York Buildings, London, WC2N 6JU.
7. Company is limited by guarantee.

Member voluntary liquidation "MVL"

16 INVENTORIES

	3 January 2021 £m	26 April 2020 £m
Raw materials and work in progress	**2.7**	2.9
Finished goods and goods for resale	**26.7**	33.6
Consumable stores	**2.7**	3.3
	32.1	39.8

As a result of the outbreak of COVID-19 and the subsequent decisions by the government for the closure of UK pubs, management has written off inventory of £4.6m (2020: £6.9m) during the 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. A provision of £3.5m (2020: £4.9m) has been recognised for further losses expected at the period end largely as a result of the government decision for a further national lockdown in January 2021. (see note 5).

17 TRADE AND OTHER RECEIVABLES

	3 January 2021 £m	26 April 2020 £m
Trade receivables	**43.7**	34.0
Other receivables	**24.2**	16.8
Government Subsidy receivable	**21.6**	30.3
Amounts owed from related parties (note 30)	**12.9**	2.8
Total current	**102.4**	83.9

Trade and other receivables are non-interest bearing.

Trade receivables are shown net of a loss allowance of £11.6m (2020: £23.0m). Information about the group's exposure to credit and market risks, and impairment losses for trade receivables is included in note 23.

Government Subsidy receivables are held for the government subsidy provided to staff members who have been furloughed as a result of COVID-19 in both 2021 and 2020.

18 CASH AND CASH EQUIVALENTS

	3 January 2021 £m	26 April 2020 £m
Cash at bank and in hand	**59.7**	11.9
Short-term deposits	**85.8**	8.5
Cash and cash equivalents for balance sheet	**145.5**	20.4
Bank overdrafts (note 23)	**-**	-
Cash and cash equivalents for cash flow	**145.5**	20.4

Included in cash at bank and in hand and short term deposits is £87.6m (2020: £3.3m) and £36.1m (2020: £4.7m) 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.

19 PROPERTY, PLANT AND EQUIPMENT HELD FOR SALE

	3 January 2021 £m	26 April 2020 £m
Property, plant and equipment held for sale	**1.0**	1.9

At the year end, property, plant and equipment held for sale of £1.0m (2020: £1.9m) 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 13. The impairment charge on reclassification to assets held for sale for these sites was £nil (2020: £nil).

20 TRADE AND OTHER PAYABLES

	3 January 2021 £m	26 April 2020 £m
Trade payables	**40.2**	100.6
Other payables		
– Other taxation and social security costs	**32.9**	44.6
– Accruals and deferred income	**141.6**	134.3
– Interest payable	**8.5**	13.0
Total current	**223.2**	292.5

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 £21.6m that has been deferred under the Governments VAT Payment Deferral Scheme, with a 12-month payment plan agreed.

21 LEASES

Group as a lessee

The group has lease contracts for property and various items of plant, machinery, vehicles and other equipment used in the its operations. Rental contracts are on average for a lease term of 31 years. The group's obligations under its leases are secured by the lessor's title to the lease 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 29 April 2019	2.6	-	2.6
On transition to IFRS 16	889.2	12.0	901.2
Additions	11.6	14.4	26.0
Disposals	(17.5)	(0.3)	(17.8)
Remeasurement	50.9	0.4	51.3
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 13)	(270.3)		**(270.3)**
Remeasurement	26.1	(2.7)	**23.4**
At 3 January 2021	**659.2**	**25.1**	**684.3**
Depreciation and impairment			
At 29 April 2019	0.1	-	0.1
Depreciation	45.4	5.0	50.4
Written back on disposals	(0.8)	-	(0.8)
Impairment	23.0	-	23.0
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**
Net book value			
At 3 January 2021	**592.2**	**16.2**	**608.4**
At 26 April 2020	869.1	21.5	890.6
At 29 April 2019	2.5	-	2.5

Impairment of Right-of-use assets

During the period to 3 January 2021 the group has recognised a net impairment gain of £7.8m (2020: loss £23.0m). This is comprised of an impairment charge of £2.6m (2020: £23.0m) and reversal of previously recognised impairment losses of £10.4m (2020: nil). 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
	2021	**2021**	**2021**	2020	2020	2020
	£m	**£m**	£m	£m	£m	£m
Managed Division	**2.0**	**(3.6)**	**(1.6)**	7.5	-	7.5
Tenanted and Leased	**0.1**	**(0.1)**	**-**	0.2	-	0.2
Corporate	**0.5**	**(6.7)**	**(6.2)**	15.3	-	15.3
	2.6	**(10.4)**	**(7.8)**	23.0	-	23.0

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 13.

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:**	
	2021	2020	**2021**	2020	**2021**	2020
Increased net impairment resulting from:	**£m**	£m	**£m**	£m	**£m**	£m
Managed Division	**-**	0.4	**0.1**	1.1	**-**	1.4
Tenanted and Leased	**-**	-	**0.1**	0.2	**0.1**	0.2
Corporate	**0.2**	-	**0.2**	1.2	**0.2**	1.2
	0.2	0.4	**0.4**	2.5	**0.3**	2.8

Lease liabilities

Lease liabilities included in the statement of financial position	**£m**
As at 29 April 2019	20.4
On transition to IFRS 16	1,136.9
Additions	25.5
Interest expense relating to lease liabilities	43.3
Disposals	(20.4)
Remeasurements	51.3
Repayment of lease liabilities (including interest)	(83.2)
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 13)	(459.9)
Remeasurements	23.4
Repayment of lease liabilities (including interest)	(21.3)
Rent concessions	(3.9)
As at 3 January 2021	**732.0**

Maturity of lease liability

	3 January 2021	26 April 2020
	£m	£m
Current	**60.3**	41.1
Non-current	**671.7**	1,132.7
Maturity analysis – contractual undiscounted cashflows:		
Less than one year	**82.1**	82.7
One to five years	**198.3**	303.9
More than five years	**950.3**	1,586.8
Total undiscounted lease liabilities	**1,230.7**	1,973.4

Amounts recognised in the statement of profit and loss

	3 January 2021	26 April 2020
	£m	£m
Depreciation on right-of-use assets		
– Property	**31.7**	45.4
– Plant and equipment	**3.9**	5.0
Other lease expense and sublease income	**0.4**	(1.9)
Charged to Operating Profit	**36.0**	48.5
Interest expense related to lease liabilities	**30.0**	43.3
Charge to Profit before Taxation for leases	**66.0**	91.8

The total cash outflow for leases was £21.3m (2020: £83.2m).

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 £201.2m (2020: £234.8m) and should it exercise the termination options, would result in a decrease in cash outflows of £12.5m (2020: £11.6m).

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 £3.9m.

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

22 BORROWINGS

		3 January 2021			26 April 2020		
		Current	**Non-current**	**Total**	Current	Non-current	Total
	Repayment date	**£m**	**£m**	**£m**	£m	£m	£m
Bank Loans:							
– Revolving loans	2025	**-**	**203.6**	**203.6**	-	258.4	258.4
– Term Loans	2025	**-**	**79.7**	**79.7**	-	79.6	79.6
Other Loans:							
– Revolving loans from related parties	2022	**-**	**980.0**	**980.0**	-	425.0	425.0
Commercial Paper	2021	**299.8**	**-**	**299.8**	-	-	-
Secured debt:							
– Issued by Greene King Finance plc	2005 to 2036	**45.8**	**1,314.7**	**1,360.5**	36.8	1,350.7	1,387.5
– Issued by Spirit Issuer plc	2015 to 2032	**99.8**	**-**	**99.8**	0.3	99.8	100.1
		445.4	**2,578.0**	**3,023.4**	37.1	2,213.5	2,250.6

Bank overdrafts

Overdrafts are utilised for the day to day management of cash. The group has facilities of £15m (2020: £25.0m) available with interest linked to base rate.

Bank loans – unsecured

The group has available unsecured loan facilities totalling £400.0m, comprising £320.0m revolving loan facilities and a £80.0m term loan facility. 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 £320.0m available under the revolving loan facilities, £205.0m (2020: £260.0m) was drawn down at the year-end with a carrying value of £203.6m (2020: £258.4m) which included £1.4m (2020: £1.6m) of fees. The £80.0m term loan was fully drawn with a carrying value of £79.7m (2020: £79.6m) which included £0.3m (2020: £0.4m) 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.

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 (2020: £750.0m) available under the facility, £980.0m (2020: £425.0m) was drawn down at the year-end with a carrying value of £980.0m (2020: £425.0m).

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.

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 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 £300m at a price of 99.825%. The note principal was repaid in full upon maturity on 31 March 2021.

At the year end 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] 3 January 2021	Carrying value (£m)[1] 26 April 2020	Interest	Interest rate (%)[2]	Last repayment period	Weighted average life[3]
A2	204.5	**202.7**	209.3	Fixed	5.32	2031	6.9 years
A4	258.9	**257.6**	257.5	Fixed	5.11	2034	8.0 years
A5	201.3	**201.3**	208.7	Floating	3.93	2033	7.9 years
A6	239.8	**236.6**	246.8	Fixed	4.06	2035	8.4 years
A7	246.8	**242.7**	245.7	Fixed	3.59	2035	8.4 years
B1	120.9	**120.1**	120.1	Floating	6.96[4]	2034	12.8 years
B2	99.9	**99.5**	99.4	Floating	6.92	2036	14.9 years
	1,372.1	**1,360.5**	1,387.5				

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 23.

3. Assumes notes are held until final maturity.

4. The B1 tranche switched from a fixed rate of 5.70% to a floating rate L+1.80% in March 2020 with a swap rate of 5.16%-L.

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.

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 (2020: £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 (2020: £nil).

In March 2020 the group fully repaid the £75.3m Class A1 and £21.4m Class A3 secured bonds issued by Greene King Finance plc and terminated the corresponding interest rate swap contracts.

In July 2020, 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:

	Nominal	Carrying value (£m)[1]			Interest rate(%)[2]			
Tranche	value (£m)	3 January 2021	26 April 2020	Interest	3 January 2021	26 April 2020	Last repayment period	Weighted average life[3]
A5	96.7	**99.8**	100.1	Fixed/floating	**5.47%**[4]	5.47%[4]	2032	10.9 years
	96.7	**99.8**	100.1					

1. Carrying value includes premium arising from fair value adjustment.
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 23.
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

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 (2020: £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 (2020: nil).

In June 2019 the group fully repaid the £93.5m Class A4 secured loan note issued by Spirit Issuer plc at par and terminated the corresponding interest rate contract.

In March 2020 the group fully repaid the £186.6m Class A2 secured loan note issued by Spirit Issuer plc at par and terminated the corresponding interest rate contract.

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, however 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.

23 FINANCIAL INSTRUMENTS

The group holds the following financial instruments:

		3 January 2021			26 April 2020		
	Note	**Current £m**	**Non-current £m**	**Total £m**	Current £m	Non-current £m	Total £m
Financial assets							
Financial assets at amortised cost							
Trade receivables	17	**43.7**	**-**	**43.7**	34.0	-	34.0
Government Subsidy receivable	17	**21.6**	**-**	**21.6**	30.3	-	30.3
Amounts owed from related parties	17	**12.9**	**-**	**12.9**	2.8	-	2.8
Financial assets	14	**3.9**	**6.2**	**10.1**	0.9	4.1	5.0
Cash and cash equivalents	18	**145.5**	**-**	**145.5**	20.4	-	20.4
		227.6	**6.2**	**233.8**	88.4	4.1	92.5
Financial liabilities							
Liabilities at amortised cost							
Trade payables and accruals	20	**190.3**	**-**	**190.3**	247.9	-	247.9
Borrowings	22	**445.4**	**2,578.0**	**3,023.4**	37.1	2,213.5	2,250.6
Lease liabilities	21	**60.3**	**671.7**	**732.0**	41.1	1,132.7	1,173.8
Derivative financial instruments							
Designated as hedging instruments	23	**13.2**	**139.6**	**152.8**	11.0	143.2	154.2
Not designated as hedging instruments	23	**-**	**8.4**	**8.4**	-	8.4	8.4
		709.2	**3,397.7**	**4,106.9**	337.1	3,497.8	3,834.9

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 3 January 2021 the group held three (2020: three) interest rate swap contracts for a nominal value of £422.1m (2020: £429.4m), which are designated cash flow hedges against £422.1m (2020: £429.4m) 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% (2020: 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 £152.8m (2020: £154.2m). 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.

During the previous year the group terminated two interest rate swap contracts in connection with the repayment of the A1 and A3 Greene King secured bonds, resulting in cash payments totalling £16.6m. Upon termination, a loss of £16.6m was recycled from the hedging reserve to the income statement in respect of these interest rate swaps, which has been recognised in exceptional finance costs (see note 5).

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 recognized within finance costs, amounted to £nil (2020: £nil).

Scheduled cash payments of £9.7m (2020: £10.2m) 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.

The expectation that LIBOR will cease to be available from the end of 2021 gives rise to uncertainty in relation to the future cash flows under these swaps and the corresponding variable rate bonds. In accordance with the reliefs introduced by Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7), 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 will cease to apply these reliefs to each hedging relationship when either the uncertainty around the timing and amount of the cash flows arising from IBOR reform is no longer present, or the hedging relationship is discontinued.

During the year a loss of £5.6m (2020: £15.5m) was recycled from the hedging reserve to the income statement in respect of interest rate swap liabilities settled in prior periods, of which £nil (2020: £6.1m) has been recognised in exceptional finance costs and £5.6m (2020: £9.4m) has been recognised in non-underlying finance costs (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 3 January 2021, the group holds one (2020: 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 £8.4m (2020: £8.4m) and the contract maturity date falls in December 2032.

During the previous year the group terminated two interest rate swap contracts in connection with the repayment of the A2 and A4 Spirit secured loan notes, resulting in cash payments totalling £102.7m.

Scheduled cash payments of £nil (2020: £12.2m) made in respect of the swaps have been recognised in pre-exceptional finance costs net of amortisation of fair value on acquisition of £nil (2020: £7.0m). These amounts are included within pre-exceptional 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 £nil (2020: £5.3m loss) is recognised in exceptional finance costs as it is considered to be more volatile and its inclusion in pre-exceptional 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 3 January 2021, the nominal value of interest rate swaps outstanding on cancelled floating rate notes which relate to the Spirit secured debt was £nil (2020: £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 3 January 2021 and 26 April 2020. 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 (2020: £0.5m) and the group's OCI by £50.5m (2020: £53.4m). An increase in interest rates would increase (2020: reduce) the group's profit and increase (2020: 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 95.2% (2020: 85.7%).

Certain of the group's financial instruments currently reference GBP LIBOR and, in light of the expectation that LIBOR will cease to be available from the end of 2021, the group expects to seek to either to terminate these instruments or transition them to SONIA during 2021. The group has performed an assessment of its exposure to LIBOR, monitored the emergence of market conventions and protocols in relation to transition arrangements, and commenced discussions with a number of its financial instrument counterparties. The group is now assessing its options and aims to complete the transition for all instruments which currently reference GBP LIBOR by the end of September 2021.

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 (2020: 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 3 January 2021 and 26 April 2020 based on contractual undiscounted payments including interest.

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**
26 April 2020	**Within 1 year £m**	**1–2 years £m**	**2–5 years £m**	**>5 years £m**	**Total £m**
Interest bearing loans and borrowings:					
– Capital	38.0	51.9	974.8	1,197.0	2,261.7
– Interest	74.5	72.0	173.5	251.0	571.0
	112.5	123.9	1,148.3	1,448.0	2,832.7
Interest rate swaps settled net	12.4	12.8	36.2	107.2	168.6
	124.9	136.7	1,184.5	1,555.2	3,001.3
Trade payables and accruals	247.9	-	-	-	247.9
Lease liabilities	82.7	79.0	224.9	1,586.8	1,973.4
	455.5	**215.7**	**1,409.4**	**3,142.0**	**5,222.6**

[1] Due to the covenant breach in the Spirit secured financing vehicle referred to in note 22, 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 £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:

	3 January 2021 £m	26 April 2020 £m
Underlying:		
Impairment loss on trade and other receivables	**1.4**	2.5
Impairment loss on financial assets (trade loans with publicans)	**-**	0.3
	1.4	2.8
Exceptional:		
Impairment (reversal)/ loss on trade and other receivables	**(12.8)**	17.1
Impairment (reversal)/loss on financial assets (trade loans with publicans)	**(6.5)**	14.6
	(19.3)	31.7
	(17.9)	34.5

For more detail on exceptional 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.

As at 26th April 2020, there was limited information with regards to the full impact of the COVID-19 pandemic, therefore the group adopted a high-level exercise based on a cautious view of its impact across our sector, this resulted in an increase in provisions to £23.0m. For the period ended 3 January 2021, the provision matrix was refined to take into account the additional information available as a result of the COVID-19 global pandemic and the financial distress across the sector. This assessment included 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 associated with the pandemic.

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

	3 January 2021			26 April 2020		
	Gross £m	**Provision £m**	**Net £m**	Gross £m	Provision £m	Net £m
Not past due	**28.7**	**(0.9)**	**27.8**	31.6	(7.4)	24.2
Past due						
– Less than 30 days	**4.1**	**(0.7)**	**3.4**	8.2	(5.2)	3.0
– 30-60 days	**2.2**	**(0.5)**	**1.7**	7.7	(4.6)	3.1
– Greater than 60 days	**20.3**	**(9.5)**	**10.8**	9.5	(5.8)	3.7
	55.3	**(11.6)**	**43.7**	57.0	(23.0)	34.0

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 26th April 2020, the group assessed the impact of COVID-19 to constitute a significant increase in credit risk on all free trade loan customers and therefore a lifetime expected credit loss was recognised when previously 12-month expected credit loss model had been applied. The lifetime expected loss is based on the likely default based on past experience, the security held, the expected recovery and current credit worthiness of the customer. For the period ended 3 January 2021, the group continues to assess COVID-19 to have significant increase in credit risk on all free trade customers. During the year all free trade customer's performance against volume targets imposed by the loan has been factored into their 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**	
	3 January 2021 £m	26 April 2020 £m	**3 January 2021 £m**	26 April 2020 £m
As at beginning of period	**(23.0)**	(4.0)	**(16.5)**	(2.1)
Provision for expected credit losses recognised in profit or loss during the year	**-**	(19.6)	**-**	(14.9)
Unused amounts reversed	**11.4**	-	**6.5**	-
Receivables written off during the year as uncollectible	**-**	0.6	**-**	0.5
As at end of period	**(11.6)**	(23.0)	**(10.0)**	(16.5)

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, loans from related parties and commercial paper.

- 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.

	Hierarchical classification	**Fair value 3 January 2021 £m**	**Carrying value 3 January 2021 £m**	Fair value 26 April 2020 £m	Carrying value 26 April 2020 £m
Financial liabilities					
Interest-bearing loans and borrowings					
– Secured debt:					
Issued by Greene King Finance plc	Level 1	**(1,411.0)**	**(1,360.5)**	(1,493.0)	(1,387.5)
Issued by Spirit Issuer plc	Level 1	**(106.6)**	**(99.8)**	(92.8)	(100.1)
Bank loans	Level 2	**(285.0)**	**(283.3)**	(340.0)	(338.0)
Loans from related parties	Level 2	**(980.0)**	**(980.0)**	(425.0)	(425.0)
Commercial paper	Level 2	**(300.0)**	**(299.8)**	-	-
Interest rate swaps	Level 2	**(161.2)**	**(161.2)**	(162.6)	(162.6)
Financial assets					
Financial assets	Level 3	**10.1**	**10.1**	4.7	4.7

Carrying values of the secured debt issued by Greene King Finance plc are stated net of deferred finance fees of £11.6m (2020: £12.5m).

Carrying values of the secured debt issued by Spirit Issuer plc include premiums arising from fair value adjustments of £3.1m (2020: £3.4m).

Carrying values of bank loans are stated net of deferred finance fees of £1.7m (2020: £2.0m).

Carrying value of commercial paper is stated net of discount of £0.2m (2020: £nil).

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 3 January 2021 and 26 April 2020 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 22.

24 OFF-MARKET CONTRACT LIABILITIES AND PROVISIONS

	Off-market liabilities £m	Property leases £m	Indirect tax provisions £m	Total provisions £m
At 28 April 2019	237.0	29.4	25.4	291.8
Derecognition upon transition to IFRS 16	(237.0)	(22.0)	-	(259.0)
Unwinding of discount element of provisions	-	-	-	-
Provided for during the year	-	0.7	0.6	1.3
Released during the year	-	(0.8)	(26.0)	(26.8)
Utilised during the year	-	(0.4)	-	(0.4)
At 26 April 2020	-	6.9	-	6.9
Unwinding of discount element of provisions	-	-	-	-
Provided for during the year	-	4.5	-	4.5
Released during the year	-	(1.3)	-	(1.3)
Utilised during the year	-	(0.3)	-	(0.3)
At 3 January 2021	**-**	**9.8**	**-**	**9.8**

Provisions have been analysed between current and non-current as follows:

	3 January 2021	26 April 2020
	Property leases	Property leases
	£m	£m
Current	**5.3**	3.8
Non-current	**4.5**	3.1
	9.8	6.9

Off-market contract liabilities

Off-market contract liabilities were previously recognised where contracts were at unfavourable terms relative to market terms on acquisition. For acquired leases where the rentals were below market terms an operating lease intangible asset was recognised. From 29 April 2019, these have been recognised as part of the right-of-use asset on transition to IFRS 16.

Property leases

The provision for property leases has been set up to cover dilapidation requirements and potential liabilities on assigned leases. Prior to 29 April 2019, the provision for property leases also covered operating costs of vacant or loss-making premises. From 29 April 2019, onerous lease provisions have been considered in the calculation of right-of-use assets following adoption of IFRS 16.

Indirect tax provisions

Prior to acquisition by Greene King in 2015, the Spirit Pub Company group agreed not to settle disputed VAT of £18.0m with HMRC in respect of the VAT liability of certain gaming machines and whether the application of VAT contravened the EU's principal of fiscal neutrality. The lead litigant of the dispute was The Rank Group plc. On 15 April 2020 the Upper Tribunal ruled strongly in the appellants favour, which followed an equally strong ruling in the appellants favour at the First Tier Tribunal. Given the strength of the ruling, the advice provided by external advisors and confirmation from HMRC that they will not be appealing the verdict, the group considered the repayment of the £18m VAT and associated accrued interest of £8.0m to no longer be probable and therefore the provision was been released.

The Greene King Limited group previously paid £7.0m of VAT to HMRC for the same associated Gaming machines in relation to the same period of time. Due to the strength of the ruling from the First Tier Tribunal the group considers the £7.0m recoverable and has therefore been recognised as income in the period. At the reporting date, this has not yet been recovered.

25 SHARE CAPITAL

	3 January 2021		26 April 2020	
	Number of issued shares £m	**Share capital £m**	Number of issued shares m	Share capital £m
Ordinary shares of 12.5p each – called up, allotted and fully paid				
At beginning of year	**312.0**	**39.0**	310.0	38.7
Issue of share capital – share options exercised	**0.1**	**-**	2.0	0.3
At end of year	**312.1**	**39.0**	312.0	39.0

26 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.

27 WORKING CAPITAL AND NON-CASH MOVEMENTS

	3 January 2021 £m	26 April 2020 £m
(Increase) in inventories	**(0.3)**	(0.5)
(Increase) in trade and other receivables	**(0.7)**	(6.0)
(Decrease) in trade and other payables	**(63.1)**	(106.8)
Decrease in provisions	**(0.3)**	(0.4)
Other non-cash movement	**5.7**	2.8
Share-based payment expense	**-**	2.3
Defined benefit pension contributions paid	**(3.0)**	(4.6)
Operating exceptional and non-underlying items	**(11.6)**	(32.4)
Working capital and other movements	**(73.3)**	(145.6)

28 ANALYSIS AND MOVEMENTS IN NET DEBT

	As at 26 April 2020	Financing cash flows[2]	Changes in fair value[5]	Other non-cash changes	As at 3 January 2021
	£m	£m	£m	£m	£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.

	As at 28 April 2019 £m	Financing Cash flows[4] £m	Changes in Fair value[5] £m	Other non-Cash changes £m	As at 26 April 2020 £m
Cash and cash equivalents					
Cash at bank and in hand[1]	185.3	(164.9)	-	-	20.4
Cash and cash equivalents for balance sheet	185.3	(164.9)	-	-	20.4
Overdrafts	(1.3)	1.3	-	-	-
Cash and cash equivalents for cash flow	184.0	(163.6)	-	-	20.4
Liabilities from financing activities					
Included in net debt:					
– Lease liabilities	(20.4)	-	-	20.4	-
– Bank loans:					
- Revolving loans	(189.9)	(66.1)	-	(2.4)	(258.4)
- Term loans	-	(79.6)	-	-	(79.6)
– Other loans:					
- Revolving loans from related parties	-	(425.0)	-		(425.0)
- Securitised borrowing	(1,917.0)	431.7	-	(2.3)	(1,487.6)
	(2,127.3)	(139.0)	-	15.7	(2,250.6)
Not included in net debt:					
– Derivative financial instruments[2]	(230.0)	119.3	(51.9)	-	(162.6)
- Lease liabilities[3]	-	39.9	-	(1,213.7)	(1,173.8)
Liabilities from financing activities	(2,357.3)	20.2	(51.9)	(1,198.0)	3,587.0
Net debt	(1,943.3)	(302.6)	-	15.7	(2,230.2)

1. Includes short-term deposits.
2. Following the transition to IFRS 16 on the 29 April 2019, leases classified as finance leases under IAS 17 are no longer included in net debt.
3. Other non-cash changes on Lease liabilities incorporates £1,157.3m recognised on transition (including £20.4m relating to finance leases), £51.3m of remeasurements, £25.5m of additions and £(20.4m) of disposals.
4. Excludes interest payments on borrowings, which are recognised within 'cash flows from operating activities' in the group cash flow statement.
5. 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.

29 FINANCIAL COMMITMENTS

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:

	3 January 2021 £m	26 April 2020 £m
Within one year	**38.5**	41.9
Between one and two years	**33.2**	36.0
Between two and three years	**28.5**	30.8
Between three and four years	**22.8**	25.5
Between four and five years	**17.4**	18.9
After five years	**118.0**	119.5
	258.4	272.6

Future minimum lease rentals include £5.6m (2020: £6.5m) receivable in respect of non-cancellable subleases.

30 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	
	3 January 2021	26 April 2020	**3 January 2021**	26 April 2020
	£m	£m	**£m**	£m
CKA Holdings UK limited				
Revolving Loan Facility and interest	**-**	-	**(980.0)**	(425.0)
Interest and expense and accrued interest	**(9.9)**	(4.7)	**(3.6)**	(3.6)

The unsecured Revolving Credit Facility has a fixed interest rate of 2.7% and matures on 21st November 2022, with any loans outstanding on maturity payable on 21st November 2022.

CK Noble (UK) Limited				
Amounts owed to Greene King Limited	**-**	-	**12.9**	2.8
Dividends	**-**	(27.0)	**-**	-
Hutchison 3G UK Limited				
Rental income of base stations	**0.1**	-	**-**	-
Guangzhou Watsons Food and Beverages Co. Ltd				
Sale of beer	**0.5**	0.2	**-**	-
Citrus Growers International Ltd				
Sale of beer	**0.2**	0.1	**-**	-

Greene King has 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 are part of the CK Asset Holdings Limited group. These transactions are at arm's length and have an expiry date of 2044. These have been 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 have been transferred to Property, Plant and Equipment resulting in a net addition of £183.6m to property, plant and equipment.

	Transaction values		Balances outstanding	
	3 January 2021	26 April 2020	**3 January 2021**	26 April 2020
	£m	£m	**£m**	£m
Right-of-use asset				
Balances as at year end	**-**	-	**-**	288.9
Amortisation of right-of-use asset	**(8.0)**	(5.7)	**-**	-
Transfer to Property, plant and equipment	**(270.3)**	-	**-**	-
Lease liability				
Balance as at year end	**-**	-	**-**	(459.5)
Interest charged on lease liabilities	**(12.7)**	(8.5)	**-**	-
Transfer to Property, plant and equipment	**459.9**	-	**-**	-
Payments made to CK Asset Holdings Limited	**11.0**	11.8	**-**	-
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.

31 POST BALANCE SHEET EVENTS

Borrowings and financial instruments

On 31 March 2021, the group has repaid the £300m borrowed under the COVID Corporate Financing facility at the maturity date.

COVID-19

On 12 April 2021 the group re-opened 452 pubs within its managed estate, with a further 108 pubs opening in the 29 April 2021. In accordance with the current government roadmap the group will look to open the vast majority of the remaining estate in England on 17 May 2021 for indoor trading with restrictions, ahead of unrestricted trading from 21 June 2021. In Scotland, 50 pubs opened on 26 April, with a further 69 set to open in May, if the roadmap allows. In Wales, 12 pubs reopened for outdoor trading on 26 April.

The group continue to work closely with all its leased and tenanted partners to provide ongoing support for the safe re-opening of sites and has increased production in both breweries to support demand. As at the date of these accounts circa. 60% of our tenanted and leased pubs were open.

Financial covenant waiver

On 9 April 2021 the directors launched a waiver request in relation to 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.

32 ULTIMATE PARENT COMPANY

At 3 January 2021 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 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 3 JANUARY 2021

Registered number: 24511

	Note	**As at 3 January 2021 £m**	As at 26 April 2020 £m
Fixed assets			
Investments	37	**3,866.7**	3,820.9
Current assets			
Trade and other receivables	38	**243.7**	159.7
Cash and cash equivalents		**11.1**	8.8
Creditors: amounts falling due within one year	39	**(1,583.3)**	(1,981.8)
Net current liabilities		**(1,328.5)**	(1,813.3)
Total assets less current liabilities		**2,538.2**	2,007.6
Creditors: amounts falling due after more than one year	40	**(1,263.3)**	(763.0)
Net assets		**1,274.9**	1,244.6
Capital and reserves			
Called up share capital	43	**39.0**	39.0
Share premium account	44	**269.4**	269.4
Merger reserve	44	**752.0**	752.0
Revaluation reserve	44	**2.5**	2.5
Other reserve	44	**93.9**	93.9
Retained earnings[1]		**118.1**	87.8
Equity attributable to owners of the parent		**1,274.9**	1,244.6

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 £30.3m (2020: loss £24.7m).

Signed on behalf of the board on 29 April 2021

Richard Smothers

Director

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE 36 WEEKS ENDED 3 JANUARY 2021

	Called up share capital £m	Share premium account £m	Merger reserve £m	Revaluation reserve £m	Other reserve £m	Retained earnings £m	Total £m
At 28 April 2019	**38.7**	**262.2**	**752.0**	**2.5**	**93.9**	**212.9**	**1,362.2**
Loss for the year	-	-	-	-	-	**(24.7)**	(24.7)
Total comprehensive income						**(24.7)**	(24.7)
Issue of ordinary share capital	0.3	7.2	-	-	-	**-**	7.5
Purchase of shares	-	-	-	-	-	**(0.1)**	(0.1)
Share-based payments	-	-	-	-	-	**2.3**	2.3
Equity dividends paid	-	-	-	-	-	**(102.6)**	(102.6)
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**

NOTES TO THE COMPANY ACCOUNTS

FOR THE 36 WEEKS ENDED 3 JANUARY 2021

33 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.

Share-based payments

Policy applicable up to 26 April 2020

Certain employees and directors received equity-settled remuneration, whereby they rendered services in exchange for shares or rights over shares. The fair value of the shares and options granted was measured using a Black-Scholes model at the date at which they were granted. No account was taken in the fair value calculation of any vesting conditions (service and performance), other than market conditions (performance linked to the price of the shares of the company before acquisition). Any other conditions that were required to be met in order for an employee to become fully entitled to an award were considered non-vesting conditions. Like market performance conditions, non-vesting conditions are taken into account in determining the grant date fair value. The fair value of shares and options granted was recognised as an employee expense with a corresponding increase in equity spread over the period in which the vesting conditions were fulfilled ending on the relevant vesting date. The cumulative amount recognised as an expense reflects the extent to which the vesting period expired, adjusted for the estimated number of shares and options that are ultimately expected to vest. The periodic charge or credit was the movement in the cumulative position from beginning to end of that period. Active schemes at the date of change in ownership of Greene King Limited were modified to either accelerate vesting or lapse.

No expense was recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions were treated as vested irrespective of whether the market or non-vesting condition was satisfied, provided that all other performance and/or service conditions are satisfied.

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. No estimates and judgments were considered to be significant.

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 £2,559.7m (2020: £2,559.7m) with net impairment loss of £34.4m (2020: £34.4m).

34 PROFIT FOR THE PERIOD

No income statement is presented for the company as permitted by section 408 of the Companies Act 2006. The profit after tax for the period is £30.3m (2020: loss £24.7m).

35 AUDITOR'S REMUNERATION

Auditor's remuneration in respect of the company audit was £31,000 (2020: £24,000). 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.

36 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, share options issued by the company are given in note 6.

37 INVESTMENTS

	Investments in subsidiaries £m	Loans to subsidiaries £m	Total £m
Cost at 28 April 2019	2,591.8	1,323.5	3,915.3
Share-based payment awards to employees of subsidiaries	2.3	-	2.3
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**
Impairment at 28 April 2019	(23.2)	(1.5)	(24.7)
Impairment of non-trading subsidiaries	(11.2)	-	(11.2)
Expected credit losses	-	(60.8)	(60.8)
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)**
NBV at 3 January 2021	**2559.7**	**1,307.0**	**3,866.7**
NBV at 26 April 2020	2,559.7	1,261.2	3,820.9
NBV at 28 April 2019	2,568.6	1,322.0	3,890.6

Principal subsidiaries

For a full list of all subsidiaries see note 15.

Interest on amounts owed to and from group undertakings accrues at a rate of LIBOR + 1.0% and is receivable at interim and year end dates.

38 TRADE AND OTHER RECEIVABLES

	3 January 2021 £m	26 April 2020 £m
Amounts owed from subsidiaries	**230.8**	156.9
Amounts owed from Parent Undertaking	**12.9**	2.8
	243.7	159.7

39 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	3 January 2021 £m	26 April 2020 £m
Accruals	**3.4**	3.5
Corporation tax payable	**17.9**	17.9
Amounts owed to subsidiaries	**1,262.2**	1,960.4
Bank and other loans (note 41)	**299.8**	-
	1,583.3	1,981.8

Interest on amounts owed to and from subsidiaries accrues at a rate of LIBOR + 1.0% and is payable on demand.

40 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	3 January 2021 £m	26 April 2020 £m
Bank and other loans (note 41)	**1,263.3**	763.0
	1,263.3	763.0

41 LOANS AND OTHER BORROWING

	3 January 2021			26 April 2020		
	Within one year £m	**After one year £m**	**Total £m**	Within one year £m	After one year £m	Total £m
Bank loans:						
– Revolving loans	**-**	**203.6**	**203.6**	-	258.4	258.4
– Term loans	**-**	**79.7**	**79.7**	-	79.6	79.6
Commercial Paper	**299.8**	**-**	**299.8**	-	-	-
Other loans						
- Revolving loans from related parties	**-**	**980.0**	**980.0**	-	425.0	425.0
	299.8	**1,263.3**	**1,563.1**	-	763.0	763.0

As explained in note 22, the company has available revolving credit facilities totalling £1,150m.

Bank loans due after one year are repayable as follows:

	3 January 2021 £m	26 April 2020 £m
Due between two and five years	**283.3**	338.0
	283.3	338.0

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 due after one year are repayable as follows:

	3 January 2021 £m	26 April 2020 £m
Due between one and two years	**980.0**	-
Due between two and five years	**-**	425.0
	980.0	425.0

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.

42 ALLOTTED AND ISSUED SHARE CAPITAL

Allotted, called-up and fully paid	**2021 £m**	2020 £m
Ordinary shares of 12.5p each		
312.1m shares (2020: 312.0m)	**39.0**	39.0

Further information on share capital is given in note 25.

43 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 abeing 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 (2020: £3.3m) capital redemption reserve arising from the purchase of own share capital and £90.6m (2020: £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.

44 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 9.

45 POST BALANCE SHEET EVENTS

Borrowings and financial instruments

On 31 March 2021, the company has repaid the £300m borrowed under the COVID Corporate Financing facility.

Financial covenant waiver

On 9 April 2021 the directors launched a waiver request in relation to 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.

46 ULTIMATE PARENT COMPANY

At 3 January 2021, 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 exceptional and non-underlying items. Adjusted profitability measures are presented excluding exceptional and non-underlying 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 exceptional and non-underlying 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 reconciliation to the nearest measure prepared in accordance with IFRS:

A FREE CASH FLOW

	Source	**2021 £m**	2020 £m
EBITDA	Cash flow statement	**(77.5)**	411.9
Working capital and other movements	Note 27	**(73.3)**	(145.6)
Add back: exceptional and non-underlying items	Note 27	**11.6**	32.4
		(139.2)	298.7
Tax payments	Cash flow statement	**10.4**	(33.9)
Add back: impact of changes to payment regimes	Non-GAAP	**-**	15.2
		10.4	(18.7)
Interest received	Cash flow statement	**0.1**	0.8
Interest paid[1]	Cash flow statement	**(67.5)**	(109.4)
		(67.4)	(108.6)
Core capex	Note C below	**(36.9)**	(137.3)
Repayment of lease liabilities[1]	Note 21	**(21.3)**	(83.2)
Net repayment of trade loans	Cash flow statement	**1.1**	2.5
Equity dividends paid	Note 11	**-**	(102.6)
Other non-cash movements	Non-GAAP	**(1.4)**	(2.2)
Free cash flow		**(254.7)**	(151.4)

[1] £14.5m (2020: £44.3m) 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 21 separately from the interest incurred. The prior year comparison has been re-presented on the same basis.

B RETURN ON CAPITAL EMPLOYED

	Source	**2021 £m**	2020 £m
Operating profit before exceptional and non-underlying items	Income statement	**(185.8)**	253.1
Average capital employed:			
Net assets[1]	Group balance sheet	**1,363.0**	1,629.1
Add back:			
Deferred tax liabilities/(assets)	Group balance sheet	**12.9**	(3.4)
Post-employment (assets)	Group balance sheet	**(48.3)**	(51.8)
Derivatives	Group balance sheet	**161.2**	162.6
Net debt	Group balance sheet	**2,877.9**	2,230.2
Capital employed	Non-GAAP	**4,366.7**	3,966.7
Timing adjustment	Non-GAAP	**(332.4)**	203.4
Average capital employed	Non-GAAP	**4,034.3**	4,170.1
ROCE		**(4.6%)**	6.1%

The timing adjustment included in the calculation above is the aggregate adjustment required to reconcile closing capital employed at the balance sheet date and the monthly average capital employed calculated throughout the year.

C CAPITAL INVESTMENT

	Source	2021 £m	2020 £m
Core capex	Non-GAAP	**36.9**	137.3
Brand swap and new site investment	Non-GAAP	**15.9**	29.0
Purchase of property, plant and equipment	Cash flow statement	**52.8**	166.3