GREENE KING LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 26 APRIL 2020

REGISTERED NUMBER: 00024511

COMPANY INFORMATION

DIRECTORS:

N Mackenzie
G Magnus
A Hunter
P Macnab
R Smothers
D Dyson
L C G Ma

COMPANY SECRETARY: Mrs L A Keswick

REGISTERED NUMBER: 00024511

REGISTERED OFFICE:

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GREENE KING LIMITED

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STRATEGIC REPORT

STRENGTHENED CAPITAL STRUCTURE LEAVES GREENE KING WELL PLACED TO EMERGE FROM COVID-19 CRISIS

SUMMARY

Greene King acquired by CK Noble (UK) Limited, a wholly owned indirect subsidiary of CK Asset Holdings Limited

- The acquisition was undertaken by means of a scheme of arrangement which became effective on 30 October 2019.
- The chairman and the non-executive directors of the former board resigned on 30 October 2019 and were replaced by a new chairman and four new non-executive directors, all nominated by CK Asset Holdings Limited (CKA). Nick Mackenzie, chief executive officer, and Richard Smothers, chief financial officer, remained on the board.
- CKA is a well-established and respected business and already has significant investments in the UK, including the freeholds of some of our pubs. CKA has a passion for pubs and brewing and wants to invest in the business for the long term.

Financial performance impacted by COVID-19, competitive market conditions, tough comparators and poor weather

- Group revenue down 13.4% to £1,919.0m; Pub Company worst hit by COVID-19, with revenue down 13.5% to £1,556.3m
- Group underlying operating profit before exceptional and non-underlying items down 31.3% to £253.1m

Response to COVID-19

- All pubs were closed from Friday 20 March 2020 as part of lockdown controls, leading to 37 consecutive non-trading days in this financial period
- The two weeks prior to the lockdown saw steadily deteriorating nationwide trade as official guidance and public mood encouraged more social distancing
- 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
- 99% of pub staff were furloughed as part of the Government's Job Retention Scheme
- The chief executive took a voluntary pay cut of 50% while pubs were closed, with other members of the Leadership Team taking voluntary reductions of up to 30%
- Team Member Support Fund launched, providing grants to people facing financial hardship. Just under £300,000 of food donated to food redistribution charities. Support fund launched for tied tenants with financial support on rent and free replacement stock for out of date beer and cider
- Exceptional charge of £45m in relation to COVID-19, including stock write offs and debt provisions; further cash cost of £15m-£20m expected to re-open
- Strengthened by the acquisition by CKA, Greene King has strong foundations and is well-placed to emerge from COVID-19
- Following government guidelines and the introduction of our PUBSAFE promise 1,212 of the managed estate were re-opened on Monday 6 July 2020, along with the majority of Pub Partner sites over that weekend. By the start of August 2020 c. 90% of the total pub estate as well as both breweries were open. As expected, trade is behind the same period last year, but has steadily built since re-opening. In addition, early indications show a strong take-up of the Government's "Eat Out to Help Out" scheme.

Good progress made to strengthen capital structure

- Unscheduled repayments made in the year of Spirit secured bonds with a nominal value of £280m and Greene King secured bonds with a nominal value of £97m. Since June 2017 the group has now repaid a total of £673m of Spirit secured bonds which represents 87% of the nominal value of the Spirit secured debt outstanding at F17 year
- £750m revolving credit facility fully repaid and cancelled in November 2019. New five-year unsecured bank facilities secured totalling £400m, comprising £320m of revolving credit facilities and £80m term loan facility
- Although certain of the group's credit metrics have deteriorated as a result of the reduced trade arising from the COVID-19 virus outbreak, the group's liquidity position remains strong reflecting the resilience of the group's capital structure. The Greene King secured vehicle had a free cash flow debt service cover ratio of 1.4x at the year end, giving 21% headroom. The Spirit debenture vehicle had a free cash flow debt service cover ratio of 2.2x giving 41% headroom. The group's average cash cost of debt reduced to 5.5% from 5.8% last year

Clear strategic focus for the future, underpinned by company values

- New strategy developed, focused on growing sales through compelling brands and the key role that pubs play in communities
- Increased focus on the customer experience and modernisation with investment in digital innovation; ambition to grow through targeted acquisitions, with focus on premium end of the market
- Launch of new company values and purpose, We Pour Happiness into Lives. Putting customers at the heart of the business, investing in team members and transforming the culture
- Strategy to be evolved post COVID-19 crisis, to take account of changing customer behaviours; the need to invest even more in digital and an increased focus on takeaway and delivery

PERFORMANCE SUMMARY

Group revenue was down 13.4% to £1,919.0m, with revenues down on last year in all of Pub Company, Pub Partners and Brewing & Brands. Group operating profit before exceptional and non-underlying items was down 31.3% to £253.1m.

Group underlying net interest costs increased by 20.0% to £145.5m, as the introduction of accounting standard IFRS 16 - Leases resulted in an additional net £31.3m of interest charges which more than offset the reduction in interest on debt.

Group profit before tax, exceptional and non-underlying items was down from £246.9m to £107.6m. The group made a statutory loss before tax of £273.0m (2019: £172.8m profit), after £380.6m (2019: £74.1m) of exceptional and non-underlying costs.

Pub Company was the division most impacted by COVID-19. Revenue was down 13.5% to £1,556.3m, with no trading revenue generated after week 47. Operating profit was down 31.7% to £186.4m and the operating margin was 12.0%, a decline of 3.2% pts. LFL sales were -13.0%.

Pub Partners revenue was down 16.9% to £157.9m, with revenue from deliveries last being generated in week 47. LFL net income for the year was down -12.7%.

Brewing & Brands was the only division to continue trading throughout the period, albeit only to off-trade outlets for the final five weeks of the year. Revenue was down 10.0% to £204.8m with total beer volume down 13.6%. Operating profit was down 71.9% to £7.7m, driven by the fall in volumes across the year but accelerated by COVID-19 and the relatively high proportion of fixed costs.

Disposal net proceeds were £35.1m, being generated from the disposal of 66 non-core pubs and other various non-pub properties. £2.9m was spent on three new builds, of which one opened for trade in the period whilst the others remain under construction and should open in the new financial year. One of the sites has not opened this year as expected due to delays caused by COVID-19 lockdown. £2.4m was spent completing the refurbishment of three sites that were acquired in the previous financial year. A further £14.8m was spent purchasing the freeholds on five sites and £0.7m was paid on exchange for one further site that will complete in the new financial year. These six sites are currently operated as managed pubs with Pub Company. In addition, there are further cash payments of £8.2m relating to seed funding for pipeline sites that could open in the medium term, final payments on sites added in previous years and refurbishing sites that have transferred between operating segments.

The business generated a ROCE of 6.1%, which has declined by 2.4%pts compared to the prior year, despite a presentational improvement of 0.6%pts from the adoption of IFRS 16 – Leases. The adoption of IFRS 16 – Leases both increased operating profit before exceptional and non-underlying items and reduced net assets. The underlying decline of 3.0% pts resulted from the decline in operating profit before exceptional and non-underlying items. Our annualised returns on investment in core development capex were over 24%. As part of the acquisition by CKA, the previous estate valuation which indicated a market value of £4.5bn was reaffirmed, versus a book value of £3.5bn.

COVID-19

The impact of the COVID-19 virus outbreak in the United Kingdom (“UK”) has had an unprecedented and critical impact on the leisure and hospitality sector in general and therefore on the Company. The UK’s lockdown and mandated closure of all pubs and restaurants was announced on 20 March 2020 and whilst the government has announced hospitality businesses can start to reopen from the 4 July 2020 there is as yet no certainty as to how the business may recover after the lockdown and the time required for such recovery.

Prior to escalation of the virus we set up a cross functional crisis 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 employees/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 have been as follows: -

- The safe and effective temporary closure of all managed pubs including cleaning, removal of cash and perishable products, securing the premises including boarding up where required, arranging regular checks and security through the lockdown, safe close down of all equipment ready for reopening.
- The effective temporary closure and security of our two support centres in Bury and Burton.
- Having committed to pay all staff in full until 5th April, we also took full advantage of the government's Coronavirus Job Retention Scheme, and furloughed around 98% of all staff on 80% salary, from the government up to a maximum of £35k pa and from the company above that. No changes have been made to other cash or non-cash contractual benefits such as car allowance or pension contributions.
- 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 has enabled a 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 group has so far donated £666k to the fund.
- A comprehensive and open communication plan to keep all our employees fully informed on the crisis, its impact on the business and the actions we are taking. This is ongoing and has included regular email updates, video messages, messaging via our bespoke Kingdom employee app, and online live briefings. Feedback from employees on this process has been strong.
- We have continued where possible our corporate social responsibility activities, including donating unwanted food and other items to local charities, supporting our employees in their fund-raising activities and encouraging some furloughed team members volunteer as telephone buddies for the Macmillan Cancer Support. For further information please see the section on Corporate social responsibility.
- Continuation of business-critical support functions such as HR, payroll, finance and shared services.
- Changes to the operations of our breweries to ensure appropriate social distancing and to meet the changing demands of our customers. With all pubs shut our kegging operations were closed but there has been a significant increase in demand from our take-home customers and online to our shop.
- 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. Further details can be found in the going concern section in the directors' report.
- We have taken advantage of the significant support to the industry from government in the form of business rates relief, tax deferrals, and the job retention scheme.
- Ensuring the temporary closure of all tenanted pubs and providing advice on shut down and on how to take advantage of the various forms of government support open to small businesses. We have offered tenants a rent suspension for the duration of pub closures and have pledged to replace all delivered and unused liquor products free of charge once the pubs are reopened. We then established a COVID-19 Partner Support Fund to provide further support to tenants by writing off rental debts on a case by case basis backed by financial evidence of need from the tenants. From 11 June 2020 onwards all our tied pub partners will receive a 90% rent concession which runs until 4 July 2020 or until they are legally able to reopen. The 90% rent concession then continues for the first four weeks of opening and then for the following four weeks there is a 50% rent concession.
- Continuation of strategically important projects to ensure we come out of the crisis in the best possible position. These include ensuring that we are able to provide takeaways or delivery meals to our customers. We have also continued work on the roll out of our new vision and values, further details of which can be found elsewhere in the strategic report.
- Significant planning work to ensure that we are able to reopen our pubs safely and promptly reopening once the lockdown restrictions are lifted.
- 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 are well represented at government level and that key issues and concerns are heard and acted upon.

Impact on the financial statements

COVID-19 has had a material impact on the financial statements for the period ending 26 April 2020:

- All pubs were ordered to close by HM UK government on Friday 20 March 2020 as part of lockdown controls attempting to contain the spread of the virus. This resulted in 37 consecutive non-trading days from 21 March 2020 through to the year-end of 26 April 2020 for our managed pubs, our tenanted and leased partners and our on-trade Brewing & Brands customers. This ordered closure followed a two-week period of steadily deteriorating nationwide trade as official guidance and public mood encouraged more social distancing, whilst there had been a noticeable, although piecemeal, deterioration in specific geographical areas and trading segments prior to this. As expected, this had a material impact on revenue, profit and free cash flow for the period to 26 April 2020.

In addition, there are several further direct impacts on the financial statements:

- A charge of £45m has been recognized in exceptional items in relation to COVID-19. This includes stock write-offs, incremental bad debt provisions on both free trade loans as well as trade debt and direct one-off costs in relation to the pandemic;
- The recognition of a £30m receivable in relation to the Job Retention Scheme as at 26 April 2020;
- Incremental impairment charge of £23m has been recognised in Property (including right of use asset) as well as incremental impairment of goodwill held in Brewing and Brands; and finally
- given the company could become reliant upon continued waiver of debt covenants which are likely to be breached by September 2020 the directors' have concluded this significant judgement represents a material uncertainty that may cast significant doubt on the group's ability to continue as a going concern (see going concern section in the directors report).

Re-opening

The board and management continue to actively monitor developments in relation to the crisis and will continue to manage the business appropriately in the light of further developments, working with the company's stakeholders as appropriate. Whilst the COVID-19 crisis has had a significant impact on the business in the last few months, thanks to the great work and commitment of our people the board believes that the business is well placed to return strongly from the crisis.

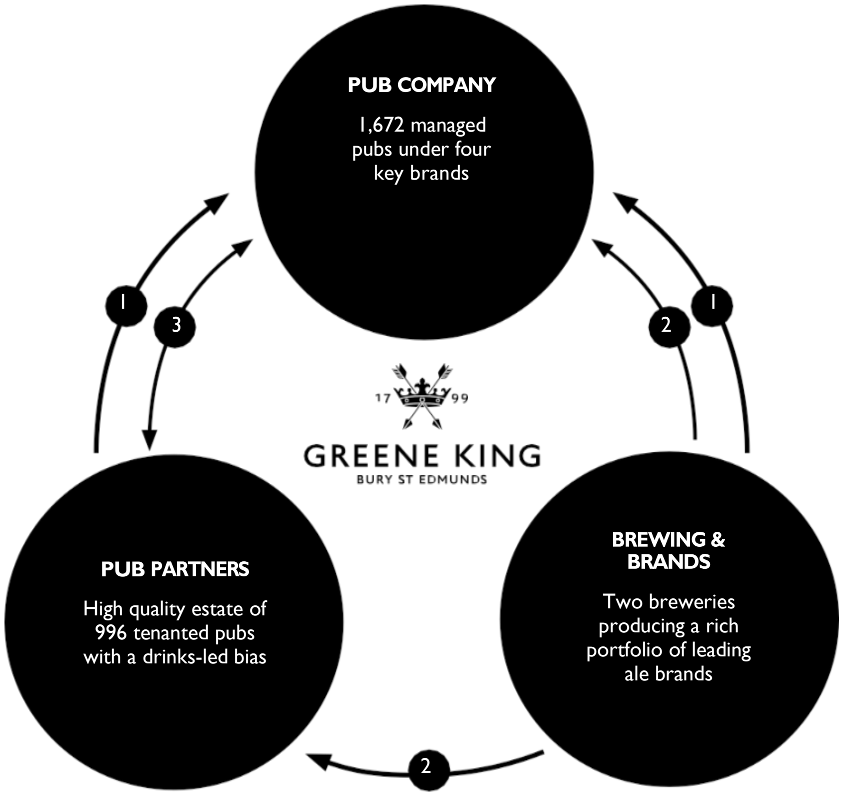
In fact, we see several of the enforced changes becoming key to the way the business works moving forward:

- We have developed and launched 5 key promises, under the Pub Safe scheme to keep both our team and customers safe. The promises are shown throughout our pubs and digital presence. The Pub Safe scheme includes the following five promises:
    1. Safe socialising layout throughout our pubs
    2. Looking after our team, so they can look after our customers
    3. Minimise contact
    4. Hand sanitising and hygiene
    5. Pub Safe Monitor
- The increasing importance of being able to provide takeaways or delivery meals to our customers.
- The ability for our support centres to work both flexibly and remotely without the need to be in the office.

OUR BUSINESS MODEL

What we do

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



1. Cash generation from Pub Partners is reinvested into Pub Company 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 Pub Company to Pub Partners or vice versa, to drive improved profit per pub.

How we generate revenue

PUB COMPANY

- the sale of food, drink and revenue from accommodation and gaming machines
- £1,556.3m revenue; £315.2m EBITDA

PUB PARTNERS

- rental income from our properties and income from the supply of food and drink
- £157.9m revenue; £82.0m EBITDA

BREWING & BRANDS

- sales from the distribution of own and third party beers
- £204.8m revenue; £16.1m EBITDA

OUR MARKETS

Our core markets are the UK eating out and UK drinking out markets, in which we compete with our 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

In the first nine months of the year Greene King performed below the market in terms of LFL sales in our managed pub business, and broadly in line with the market in the tenanted pub business. Actions were being taken in both businesses to address the issues.

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 impact of the COVID-19 crisis will be on the wider market. 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.

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

The UK beer market was in MAT (moving annual total) decline over the last year, with total on-trade beer sales falling by 3.8%. This was driven by both lager (3.3%) and standard ale (9.7%) with only stout sales increasing by 4.5%. Greene King own-brewed volumes were down 11% in the year compared to the cask ale market decline of 7.3%.

The ale market was also significantly impacted by the closure of pubs, clubs and other leisure venues during the COVID-19 pandemic. Whilst sales in take home channels and online saw significant increases, draught ale sales were restricted by pub closures. In March 2020 on-trade sales decreased by 39.5% and off-trade sales increased by 10.6%. Overall, volume was down 12.7% in the month.

Export sales were impacted by the global nature of the pandemic. Our brewing operations also had to deal with the additional challenges associated with maintaining social distance between employees who were working.

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

PUB COMPANY

52 weeks	F20	F19	YOY Change
No. of pubs at year end	1,672	1,687	-0.9%
Ave. no. of pubs trading[2]	1,441	1,711	-15.8%
Revenue	£1,556.3m	£1,799.2m	-13.5%
EBITDA[1]	£315.2m	£365.8m	-13.8%
Operating profit[1]	£186.4m	£272.9m	-31.7%
Operating profit margin[1]	12.0%	15.2%	-3.2% pts
Ave. EBITDA per pub[1,2]	£218.7k	£213.8k	+2.3%

1. Adjusted measures exclude the impact of exceptional and non-underlying items.
2. F20 average trading pubs has been calculated assuming no trading sites for the last 5 weeks of the period.

Pub Company revenue was down 13.5%, with LFL sales down 13.0%, while average trading pubs were down 15.8%. The final five trading weeks of the period included the Easter bank holiday weekend and two weeks of school holidays, which would normally have been weeks that generated larger than average revenues. Operating profit was down 31.7% to £186.4m resulting in an operating profit margin of 12.0%, a decline of 3.2% pts on the previous period.

A period of zero revenue alongside, although reduced, a continuing cost base, will result in diminished margins. The YoY margin decline that would have been expected from a period of zero revenue was exacerbated as, as has been described, the final five weeks would have historically been higher than average revenue weeks, alongside higher than average margin sales mix.

Investment in value, service and quality continued to deliver an improvement in our customer scores. By focusing on our four core brands, we were able to see a 4.8%pt rise in Pub Company NPS to 67.1% [1]. Hungry Horse was the top brand at 71.8%, an improvement of 6.6%pts[1]. Our average TripAdvisor score was up 4.2% with food, service and value measures all in growth. Farmhouse Inns retains its position as best overall pub experience for another year and Flaming Grill and Farmhouse Inns achieved the highest NPS scores for lunch visits. Flaming Grill also had the highest revisit intention score for lunch time visits (MCA Pub Brand Monitor Q4 2019)

Delivering an improved customer experience through digital innovation is important for driving continued growth. Growing table bookings remains a strategic priority and over 1.1m reservations were placed online this year, a 24% increase year-on-year. Following a successful trial in 2019, Order & Pay smartphone capability was rolled out to all Hungry Horse pubs before Christmas – over 500,000 guests have registered on the app with mobile ordering sales of £12m in the year. In addition, our Season Ticket sports app now has over 300,000 registered users, a c. 50% increase following its rollout pre-World Cup in 2018, with c. 70% using the app to make a loyalty redemption.

The ongoing cost mitigation programme was primarily focused on Pub Company and we made good progress delivering sustainable procurement savings, on labour productivity and efficiencies, and reducing non-direct costs.

We continue to maintain a consistent core capex cycle of five to six years in Pub Company. However, the cash conservation measures introduced at the end of the year meant we spent £107.0m in core capex, covering 213 managed pub developments. This was a reduction on the equivalent programme last year of £1.3m. In F19 our programme consisted of £88.7m of core capex and a further £19.6m on brand conversions. The brand conversion programme is now no longer considered a separate programme and any conversions are counted as core capex.

Our active estate management programme saw disposals of 19 managed pubs whilst we completed one new build under the Farmhouse Inns brand and completed the refurbishment of three sites that had been acquired in the previous financial year. These sites are trading under the Chef & Brewer brand. Two further sites are under construction and fit out for opening in the new financial year. £14.8m was spent purchasing the freeholds on five sites and £0.7m was paid on exchange for one further site that will complete in the new financial year. In addition, three pubs were transferred from Pub Partners into Pub Company, whilst four pubs were transferred from Pub Company into Pub Partners. We will continue to explore internal transfers as part of our ongoing estate optimisation programme.

1. Due to COVID-19, NPS measurement is up to week 46 only and YoY measurement is reported to the same point in the prior year, to remove any impact from seasonality.

PUB PARTNERS

52 weeks	F20	F19	YOY Change
No. of pubs at year end	996	1,043	-4.5%
Ave. no. of pubs trading[2]	872	1,083	-19.5%
Revenue	£157.9m	£190.1m	-16.9%
EBITDA[1]	£82.0m	£97.2m	-15.6%
Operating profit[1]	£69.0m	£87.1m	-20.8%
Operating profit margin[1]	43.7%	45.8%	-2.1% pts
Ave. EBITDA per pub[1]	£94.0k	£89.8k	+4.7%

1. Adjusted measures exclude the impact of exceptional and non-underlying items.
2. F20 average trading pubs has been calculated assuming no trading sites for the last 5 weeks of the period.

In Pub Partners, we have a high-quality portfolio of 996 mainly drink-led pubs. It generates significant and stable cash flow for the group, adds purchasing scale, enhances the Greene King brand and provides flexibility in our estate planning.

A period of zero revenue alongside, although reduced, a continuing cost base, will result in diminished margins. The YoY margin decline that would have been expected from a period of zero revenue was exacerbated as, as has been described, the final five weeks would have historically driven higher beer sales than average weeks, alongside higher than average margin sales mix.

The success of Pub Partners is built on our ambition to have the best proposition in the market, combined with unrivalled people capability and a focus on optimising value from each of our pubs. Pub Partners' revenue was down 16.9% to £157.9m and LFL net income was down -12.7%. No rental or drink revenue was recognised in the last five weeks of the year.

The high quality of our Pub Partners estate has been maintained through ongoing estate portfolio management and disciplined capital allocation. We disposed of 47 non-core pubs, generating proceeds of £23.2m and invested £19.8m in the core estate, £1.1m more than last year as cash conservation measures were introduced not only after the order pub closures, but after the majority of the programme had been completed. In addition, three pubs were transferred from Pub Partners into Pub Company, whilst four pubs were transferred from Pub Company into Pub Partners. We will continue to explore internal transfers as part of our ongoing estate optimisation programme.

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. Since the implementation of the Pubs Code in 2016, we have had seven licensees take up a Market Rent Only agreement. Meanwhile, our average licensee tenure has remained stable at six years and five months, reflecting the strong relationships we build with our licensees.

In the past year, we have launched a wave of new initiatives centred around our three pillars of: Unrivalled people capability; Having the best proposition in the market; and Optimising value from every pub. At the core of this has been improving support for partners. We have invested in a cutting-edge 'perfect bar' insight system with hospitality data specialists HDI, researching local markets for each pub and using industry data to calculate what drinks range was likely to generate the best sales for that particular pub.

The development of our partners is also enabled through our in-house training team. The strength of this resource has been recognised in the industry, with our Induction & Beyond programme winning the best leased and tenanted programme category at the National Innovation in Training Awards.

The commitment to invest in our Pub Partners estate continues to be a key driver of growth and success for both us and our partners. We have a well-funded and rolling programme of capital investments, ranging from smaller refurbishments up to £0.6m spend on pubs that lead to a complete rebranding and repositioning. In the year we invested £20m of capital on the Pub Partners estate and had been delivering a strong ROI on the development programme up to impact of COVID-19.

We are proud of our partners' successes in 2019, including Great British Pub of the Year (The Cott Inn, Dartington), Michelin Stars, Top 50 Restaurants listings, and winning the Charity Pub of the Year award.

BREWING & BRANDS

52 weeks	F20	F19	YOY Change
Revenue	£204.8m	£227.6m	-10.0%
EBITDA[1]	£16.1m	£33.2m	-51.5%
Operating profit[1]	£7.7m	£27.4m	-71.9%
Operating profit margin[1]	3.8%	12.0%	-8.2% pts

1. Adjusted measures exclude the impact of exceptional and non-underlying items.

Total beer volumes were down 13.6% and revenue was down 10.0%. OBV was down 11.3% against an ale market down 7.0%% and a cask ale market down 7.3%% (source: BBPA, March 2020). Operating profit was down 71.9% and the operating profit margin was down 8.2%pts, reflecting the lower production volumes through our breweries across the year but accelerated by COVID-19, the impact of this on brewing efficiency and the material increase in distribution costs incurred following the end of the contract with third party logistics partner Tradeteam DHL.

In keeping with the overall Greene King purpose, Brewing & Brands continues to invest in brewing brilliant beers and building brands. Our future focus is on increasing brand availability to drive profitable volume growth by maintaining core traditional ale sales whilst accelerating sales of new modern ales.

Greene King's core traditional ale brands maintained their UK market leading positions. Following a full brand relaunch in 2019, Greene King IPA remains the fastest selling top 10 cask ale brand in the UK (CGA Feb 2020). Greene King IPA continues its long-standing association with sport, leveraging its status as the Official Beer of England Cricket and putting its name to the Greene King IPA Championship in rugby.

Abbot Ale remains the number one premium cask ale brand in the on-trade, in both volume and value, making it the fourth most popular ale brand in the UK. We invested heavily behind a full relaunch of Old Speckled Hen, one of Britain's best loved beers. As a result, it remains the number one premium ale brand by volume and has the highest brand awareness in the ale category.

We also celebrated the 300th birthday of Belhaven, Scotland's oldest working brewery. Belhaven Best remains the biggest ale brand in Scotland, both in value and volume, more than twice the value of its nearest competitor.

Our new modern beer portfolio consists of both craft ale brands and new no and low alcohol beers. Last year we launched Old Speckled Hen low alcohol and it is now the number two brand in the category in both the on and off trade. We also launched Ice Breaker and backed it with £400,000 brand support in our Greene King estate. It is already in the top 10 fastest growing craft ale brands. Meanwhile, Greene King East Coast IPA remains the number six craft ale brand in the on-trade.

In England and Wales Greene King operates a hybrid distribution network, using both our own depots and fleet supported by third party logistics partners. Following the ending of the contract with Tradeteam DHL, it was decided to move to XPO. XPO is a major worldwide logistics supplier, with extensive presence within the UK. Over the last 12 months the team have successfully set-up and opened a new depot and have fully integrated the Greene King IT systems with XPO. Transition from Tradeteam DHL to XPO will occur through 2020 and into 2021 to ensure there is no reduction in the service quality through the hand-over period.

FINANCIAL REVIEW

Income Statement

	52 weeks ended 26 April 2020 £m	52 weeks ended 28 April 2019 £m
Revenue	1,919.0	2,216.9
Adjusted operating profit[1]	**253.1**	**368.2**
Adjusted net finance costs[1]	(145.5)	(121.3)
Adjusted profit before tax[1]	**107.6**	**246.9**
Exceptional and non-underlying items	(380.6)	(74.1)
(Loss)/Profit before tax	**(273.0)**	**172.8**

1. Adjusted measures exclude the impact of exceptional and non-underlying items.

Revenue was £1,919.0m, a decline of 13.4% compared to the prior year, with declines in all three revenue generating segments. Pub Company revenue was down 13.5% to £1,556.3m driven by COVID-19, competitive market conditions, tough comparators and poor weather. Pub Company accounts for 81% of group revenue (2019:81%). Total revenue in Pub Partners was £157.9m, down 16.9% driven by a decline in average pub numbers of 19.5%, alongside LFL drink income decline of 13.0%. Brewing & Brands revenue dropped 10.0% to £204.8m with total beer volumes down 13.6%.

	F20 £m	F19 £m	YOY change £m
Pub Company	186.4	272.9	-31.7%
Pub Partners	69.0	87.1	-20.8%
Brewing & Brands	7.7	27.4	-71.9%
Corporate	(10.0)	(19.2)	-47.9%
Group adjusted operating profit[1]	**253.1**	**368.2**	**-31.3%**

Operating profit before exceptional and non-underlying items was £253.1m, which was a decline of 31.3% on the prior year. Group operating profit margin before exceptional and non-underlying items was down 3.4%pts to 13.2%. Pub Company margin declined versus the prior year by 3.2% pts to 12.0%, whilst Pub Partners margin fell from 45.8% to 43.7% and the Brewing & Brands margin from 12.0% to 3.8%.

Net interest costs before exceptional and non-underlying items were £145.5m, 20.0% higher than last year due to a net £31.3m of interest charges under new IFRS 16 regulations; excluding these additional charges net interest costs before exceptional and non-underlying items were 5.9% lower than last year at £114.2m.

Profit before tax, exceptional and non-underlying items was £107.6m, 56.4% lower than last year. A statutory loss before tax of £273.0m was incurred (2019: £172.8m profit), after impairments of £284.7m (2019: £56.7m) and £45.0m of one-off costs in relation to COVID-19.

Tax

The effective rate of corporation tax (before exceptional and non-underlying items) of 19.1% (FY19: 19.1%) is marginally higher than the UK corporation tax rate of 19.0% due to adjustments for non-deductible expenses. This resulted in a tax charge against operating profits (before exceptional and non-underlying items) of £20.5m (2019: £47.2m). The exceptional and non-underlying tax charge of £2.3m (2019: £6.6m) 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. £500m (2019: c. £550m). 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 Chief Financial Officer and 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 were £382.9m (2019: £80.7m), consisting of a £330.7m (2019: £53.5m) charge to operating profit, a £49.9m (2019:£20.6m) charge to finance costs and a net exceptional and non-underlying tax charge of £2.3m (2019: £6.6m). Material items recognised in the year included the following:

1. During the period to 26 April 2020 the group has recognised a net impairment loss of £284.7m (2019: £56.7m), comprising £194.3m (2019: £nil) in relation to Brewing & Brands goodwill, £89.7m (2019: £56.7m) in relation to property, plant & equipment and Right-of-Use asset and £0.7m (2019: £nil) in relation to brand intangible assets.

2. A charge of £45.0m in relation to COVID-19. This includes stock write-offs, incremental bad debt provisions on both free trade loans as well as trade debt and direct one-off costs in relation to the pandemic.

3. The group incurred deal fees of £23.9m in the period in relation to the successful acquisition of the group by CKA on 30 October 2019. In addition, following the acquisition a number of incremental costs have been incurred by the group. Legal and professional fees totalling £0.6m to support the integration, a share-based payment charge of £1.6m to align to agreed pay-out levels as set by the deal, and £2.4m of costs associated with a longer-term retention scheme offered to management as part of the acquisition.

4. 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 considers the repayment of the £18.0m VAT and associated accrued interest of £8.0m to no longer be probable and therefore the provision has been released.

5. A net profit on disposal of property plant and equipment of £6.0m (2019: £17.0m).

6. The £49.9m charge (2019: £20.6m) for exceptional and non-underlying finance costs included a £15.3m loss (2019: £5.4m loss) in respect of the mark-to-market movements in the fair value of interest rate swaps not qualifying for hedge accounting, £9.4m costs (2019: £10.7m) recycled from the hedging reserve in respect of settled interest rate swap liabilities and a £2.5m loss (2019: £4.1m loss) on the settlement of financial liabilities. In addition 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 have been recycled from the hedging reserve to the income statement in full and an exceptional loss of £16.6m has been 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 has been recognized in respect of this.

7. The exceptional and non-underlying tax charge of £2.3m consisted of a credit of £(4.6)m is in respect of the exceptional COVID-19 related charges and also the impairment to property, plant and equipment including the right of use asset recognised under IFRS 16, and a £6.9m non-underlying charge in respect of the integration costs and other legal and professional fees incurred.

Cashflow and Capital Structure

	52 weeks ended 26 April 2020 £m	**52 weeks ended 28 April 2019 £m**
EBITDA[1]	411.9	482.0
Working capital and other movements[2]	(113.2)	(35.5)
Net interest paid[2]	(151.90)	(116.9)
Tax paid[2]	(18.7)	(21.0)
Adjusted cash generated from operations	**128.1**	**308.6**
Core capital expenditure	(137.3)	(119.1)
Net repayment of trade loans/ Other non-cash movements	0.3	(0.5)
Repayment of lease liabilities	(39.9)	-
Free cash flow before dividend	**(48.8)**	**189.0**
Dividend	(102.6)	(102.9)
Free cash flow	**(151.4)**	**86.1**
Net disposal proceeds	35.1	75.8
New build/ brand conversion capital expenditure	(29.0)	(44.3)
Exceptional and non-underlying items/ share issues	(40.2)	(5.9)
Refinancing items and non-cash on IFRS 16 transition	(101.4)	(22.7)
Change in net debt[3]	**(286.9)**	**89.0**

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
3. Net Debt for FY19 includes £0.2m capital repayment on finance leases that has not been restated for the adoption of IFRS 16

The group has historically been highly cash generative, however the negative impact of COVID-19 on both trading and working capital flows, has been unprecedented, as trade creditor outflow payments continue to be made without offsetting inflows from trade debtor receipts and was exacerbated by the large furlough debtor at year end. This resulted in cash flows from operations being only £128.1m (2019: £308.6m), despite an estimated c. £68m presentational improvement from the adoption of IFRS 16. Cash conservation measures were introduced at such a late stage that the core capital expenditure programme had been largely completed. The investment of £(137.3)m included amounts that would have been classified as brand conversion capital expenditure in previous years (2019 £(19.6)m. This programme was in place to rationalise the brands within Pub Company after the Spirit acquisition and was completed in FY19. Dividend payments of £(102.6)m were made before the COVID-19 pandemic had been declared. Net disposal proceeds at £35.1m from 66 pubs reflected the reduction in our pool of non-core sites available for our ongoing programme of estate optimisation, however it does continue and we invested £13.5m in new builds, the acquisition and refurbishment of single sites and refurbishment of sites transferred between operating segments, whilst a further £15.5m was spent on acquiring the freeholds of pubs we operate.

The group disposed of 19 non-core pubs from Pub Company raising £9.2m, 47 non-core pubs from Pub Partners raising £23.2m and further non-pub properties, raising total proceeds for the group of £35.1m.

The group continued to make good progress against its strategic aim to further strengthen its capital structure. During the year the group made unscheduled repayments of Spirit secured bonds with a total nominal value of £280.1m and Greene King secured bonds with a total nominal value of £96.7m, recognising a net loss of £1.0m. In June 2019 the £93.5m Spirit A4 secured bond was prepaid and in March 2020 the £186.6m Spirit A2 secured bond, £75.3m Greene King A1 secured bond and £21.4m Greene King A3 secured bond were prepaid.

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 issue costs (in the case of the Greene King bonds), and the settlement amount paid.

The group also terminated four interest rate swap contracts in conjunction with the prepayments of the A2 and A4 Spirit secured bonds and the A1 and A3 Greene King secured bonds, resulting in cash payments totalling £119.3m.The amount shown under refinancing items and IFRS 16 transition in the cash flow table above comprises £(119.3)m (2019: £18.6m) attributable to the settlement of derivative liabilities, £(2.5)m (2019: £4.1m) of other costs and non-cash movements attributable to refinancing and £20.4m non-cash reclassification of finance leases from net debt to lease liabilities, following the adoption of IFRS 16.Since June 2017 the group has repaid a total of £673m of Spirit secured bonds which represents 87% of the nominal value of the Spirit secured debt outstanding at F17 year end.

Following the acquisition of the group by CKA, the group entered into a £750m unsecured revolving loan facility with an indirect intermediate parent company with which the group shares the same ultimate parent. In November 2019, the group fully prepaid and cancelled the £750m revolving credit facilities which had been in place at F19 year end, recognising a net 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. The group subsequently entered into new 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.

In line with our 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 £1,070m revolving loan facilities, which were £685m drawn at the year end, an £80m term loan, 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 £1,387.5m (2019: £1,537.5m) and an average life of nine years (2019: nine years), secured against 1,491 pubs (2019: 1,539 pubs) with a group carrying value of £2.0bn (2019: £2.0bn). The Spirit debenture had secured bonds with a carrying value of £100.1m (2019: £379.5m) and an average life of eleven years (2019: eight years), secured against 537 pubs (2019: 695 pubs) with a group carrying value of £0.5bn (2019: £0.8bn).

Although certain of the group's credit metrics have deteriorated as a result of the reduced trade arising from the COVID-19 virus outbreak, its liquidity position remains strong reflecting the resilience of the group's capital structure. The group's average cash cost of debt reduced to 5.5% from 5.8% last year, and at the year-end 85.7% of the group's net debt was at a fixed rate. The Greene King secured vehicle had a free cash flow debt service cover ratio of 1.4x at the year end, giving 21% headroom. The Spirit debenture vehicle had a free cash flow debt service cover ratio of 2.2x giving 41% headroom.

Overall the group's net debt increased in the year by £286.9m to £2,230.2m.

Balance sheet

	26 April 2020 £m	28 April 2019 (restated[1]) £m
Goodwill and other intangibles	915.0	1,216.9
Property, plant and equipment	3,496.9	3,543.4
Post-employment assets/(liabilities)	51.8	31.1
Net debt	(2,230.2)	(1,943.3)
Derivative financial instruments	(162.6)	(230.0)
Trade and other payables	(292.5)	(410.6)
Net IFRS 16 liability	(283.2)	-
Other net assets/(liabilities)	133.9	(125.7)
Net assets	**1,629.1**	**2,081.8**
Share capital and premium	308.4	300.9
Reserves	1,320.7	1,780.9
Total equity	**1,629.1**	**2,081.8**

1. Deferred tax and retained earnings have been restated. See note 1 for further details.

Pensions

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

At 26 April 2020, there was an IAS 19 net pension asset of £51.8m representing an improvement of £20.7m since the previous year-end. The closing assets of the group's two pension schemes totalled £923.2m and closing liabilities were £871.4m compared to £865.4m and £834.3m respectively at the previous year end.

The improvement in position is due to contributions made by the group during the year, strong return on assets due to the low risk investment strategy adopted by both schemes, and deterioration on the actuarial assumptions which reduce the value placed on the pension obligations. Included in the remeasurement are key assumptions relating to the discount rate of 1.7% (2019: 2.5%), RPI inflation of 2.5% (2019: 3.3%) and CPI inflation of 1.7% (2019: 2.2%). Total cash contributions in the year were £4.6m.

Return on Capital Employed

The group is focused on delivering the best possible returns on its assets and on the investments it makes and on capital discipline, through targeted investment in new build pubs, single site acquisitions and in developing its existing estate to drive organic growth alongside disposals of non- core pubs. ROCE of 6.1% has declined by 2.4% pts compared to the prior year, despite a presentational improvement of 0.6% pts from the adoption of IFRS 16. The adoption of IFRS 16 both increased operating profit before exceptional and non-underlying items by an estimated £22m and reduced net assets by £69m. The underlying decline of 3.0% pts resulted from the decline in operating profit before exceptional and non-underlying items.

Dividend

There is no final dividend proposed by the board given the impact of COVID-19 on the Greene King business.

An interim dividend of £27.0m was paid on 10 January 2020 in line with last year.

IFRS 16

The new accounting standard is applicable for accounting periods beginning on or after 1 January 2019 and has been applied for the first time by the Group for the 52 weeks ending 26 April 2020.

The group has elected to use a modified retrospective approach in valuing the right-of-use asset on a site-by-site basis due to the age and complexity of the estate. IFRS 16 was recognised as an adjustment to the opening balance of retained earnings as at 29 April 2019, with no restatement of comparative information.

The following table shows the effect of adopting IFRS 16 on the consolidated balance sheet at 29 April 2019:

	29 April 2019 £m
Goodwill and other intangibles	(102)
Property, plant and equipment	(3)
Right-of-use assets	904
Deferred tax	15
Net debt	20
Lease liabilities	(1,157)
Other net liabilities	254
Net assets	**(69)**
Reserves	(69)
Total equity	**(69)**

For the period ending 26 April 2020, the group's operating profit metric has improved by an estimated £21.9m under IFRS 16 as the new depreciation expense was lower than the IAS17 operating lease charge. However, after including the net change in finance costs of £31.3m net profit before tax is estimated to be £9.4m lower compared to the previous IAS 17 reporting basis.

There is no net cash flow impact on application of IFRS 16, although the classification of cash flows will be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under IFRS 16, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

Key Performance Indicators

All 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 (RO1) (%)

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. In the year we achieved a return on investment on 24.5%

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.

2020	24.5%*
2019	35.8%
2018	31.0%

Return on Capital Employed (ROCE) (%)

Summary

We monitor return on capital employed in comparison to our overall weighted average costs of capital. ROCE for the financial year is 6.1%.

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.

2020	6.1%*
2019	8.5%
2018	8.4%

Free Cash Flow (£m)

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 £151.4m.

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.

2020	£(151.4)m*
2019	£86.1m
2018	£89.9m

Employee Engagement Score (%)

Summary

We have been unable to measure this KPI this year due to COVID-19 lockdown restrictions (including the Job Retention Scheme meaning that the vast majority of the pub staff were not working at year-end).

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

2020	n/a*
2019	62.0%
2018	63.0%

Pub Company 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 decreased by 13.0%

Definition

Pub Company LFL sales include revenue from the sale of drink, food and accommodation but exclude machine income. LFL sales performance is calculated against a comparable 52 week period in the prior year for pubs that were trading for the entirety of both 52 week periods.

2020	-13.0%*
2019	2.9%
2018	-1.7%

Pub Company Net Promoter Score (NPS) (%)

Summary

We monitor NPS in order to track customer satisfaction. NPS as last measured at week 46 was 67.1%

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."

2020	67.1%
2019	62.5%
2018	59.0%

Pub Partners 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 declined by -16.4% compared to the prior year.

Definition
Pub Partners' LFL profit includes pub operating profit and central overheads but excludes exceptional items. LFL profit performance is calculated against a comparable 52 week period in the prior year for pubs that were trading for the entirety of both 52 week periods.

2020	-16.4%*
2019	-0.3%
2018	+0.4%

Pub Partners Licensee Survey (out of 10)

Summary
We have been unable to measure this KPI this year due to COVID-19 lockdown restrictions.

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

2020	n/a*
2019	6.6
2018	6.3

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 11.3% compared against the UK ale market down 7.0%.

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

2020	-11.3 %*
2019	-3.4%
2018	-1.2%

Brewing and Brands Service Score

Summary
We monitor service scores to assess the proportion of orders successfully fulfilled, to provide insight on customer satisfaction. Due to COVID-19 restrictions it was last measured at week 44.

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

2020	95.5%
2019	93.9%
2018	91.8%

* **These KPIs have either been materially impacted by, or were not able to be measured due to, COVID-19.**

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 deigned to set out how the directors have complied with their obligations in this regard.

The directors of the Company have at all times during the year 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 as 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. During the first half of the year the Company's shares were listed on the London Stock Exchange, and the Company had a large number of both institutional and private shareholders. In line with other quoted companies, there was a regular dialogue with institutional shareholders, including meetings after the announcement of the year end results. The board would receive regular reports and feedback on the meetings held between the executive directors and principal shareholders, and copies of analysts' reports on the company.

The Company's AGM in September was fully utilised as a means of communicating directly with private shareholders, who received a brief presentation on the business before the formal business of the meeting began. They also had the full opportunity to ask questions during the meeting and to meet directors and senior management informally after the meeting. Private shareholders were entitled to vouchers giving them discounts on food and drink at the company's managed pubs and restaurants.

Further details on how the board considered the interests of shareholders whilst it dealt with the acquisition of the Company by the CK Asset Holdings Limited group is set out in the case study below.

Since the effective date of the acquisition of the Company by CKA, the new Board's focus has been on ensuring appropriate engagement by the Company with CKA. Agreement was reached on a range of matters, including ensuring appropriate financial reporting to the new group, financing strategy (new revolving credit facilities have been put in place since the acquisition, including one from the CKA group), and new governance arrangements, for more details please see the Corporate governance report and the case study below.

Employees. Our people are our greatest asset, with around 38,000 team members employed across the group. 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 employee app). Key areas of focus include health and well-being, development opportunities, pay and benefits, and ensuring that our employees 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.

For further information on how the interests of employees were considered during the acquisition of the Company by CKA, and in connection with the introduction of the group's new values, please see the case studies below. Further information on engagement with employees is also 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. One of the key priorities for the company during the year was to improve the way in which allergen information is provided to customers, to ensure that all customers have access to clear and comprehensive information on the allergens in our food, to enable them to make informed choices as to what they order. The board is also given details of any significant health and safety related issues relating to our customers.

As part of the company's work to develop its new strategy, a consumer survey was undertaken, details of which were reported to the board, to fully understand how our customers and potential customers view the company. Feedback from the survey has been used to help formulate the company's new purpose, goals and strategy.

To ensure that the new board established after the acquisition of the Company by CKA had a greater understanding of the company's pubs and their offer to consumers, the board visited several of the company's pubs in February. Since the UK lockdown in late March no further visits have been possible.

Tenants. The success of Greene King's Pub Partners business, which manages our tenanted and leased pubs, is dependent on the success of our tenants and lessees. 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 new 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. Since the identity of the bondholders is largely unknown to the Company, engagement with bond holders is dependent on them coming to us. Several announcements have been made to bondholders during the COVID-19 pandemic on the impact of the enforced pub closures on the financing vehicles, and conversations have been held with some bondholders in this regard.

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 deficits and future investment strategy.

Government and regulatory authorities. We engage with the government and regulators through a range of different 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 8 years ago, we have raised £7.5m for our corporate charity partner, Macmillan Cancer Support. Further details of how we engage with our local communities 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 were 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. The acquisition of the Company by CKA

A key activity for the board during the first half of the year was to consider the offer from CKA for the entire issued and to be issued share capital of the company. In doing so, the board was required to consider not just the conflicting interests of shareholders but also the interests of many of the other stakeholders set out above.

Financial advisers, in the form of Citigroup and Rothschild and Co, and lawyers were appointed to provide the board with advice on the terms of the offer, to enable the board to consider the merits of the offer.

In reaching its decision to recommend the offer, the Board considered the terms of the offer in relation to the value and prospects of the Company's business, the cash consideration offered and that the acquisition would provide the Company's shareholders with the opportunity to receive full cash value for their shareholdings, without any of the inherent execution, industry and macroeconomic risks facing the business.

2. Governance arrangements

Following completion of the acquisition by CKA, a key piece of work for the board was to agree the new governance arrangements to ensure alignment with the Company's new status as a large private company, owned by the CKA group. Further details of these arrangements can be found in the Corporate governance report.

3. Culture and values

Both the new board and former board backed the CEO's belief that transforming the culture in Greene King represented a significant opportunity for the business. Much of the year was spent working on a culture and organisation transformation program that aligns to the new strategy and vision of the group.

The programme of cultural and strategic transformation, Greene King Unleashed, is designed to develop a more sustainable business model meeting the needs of customers, shareholders and employees achieving a balance between performance delivery and longer-term growth. The Company's new purpose, approved by the board, is to pour happiness into people's 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 is deploying a new set of values for employees:

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

Employee feedback on the new values has been positive, and work continues, supported by the board, to roll out a sustainable culture change programme which will be implemented over the next two years.

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.

Once the key economic, operational, financial, people and strategic risks have been identified, each business unit and functional area is then responsible for evaluating current controls in place to manage their risks, drawing up plans to improve controls and managing new risks as and when they arise. Each key risk has an 'action owner' to ensure that responsibilities are formally aligned. 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.

Whilst the company's shares were listed on the London Stock Exchange, the company's audit and risk committee would regularly review the risk management processes for each business unit and functional area, on a rotational basis, reviewing presentations from relevant management and challenging their analyses. A group-wide risk committee was also tasked with reviewing individual risk registers in detail, monitoring the risk mitigation plans and challenging the risk owners to further improve their responses.

Since the acquisition of the Company's shares by CKA, the audit and risk committee has been dissolved. Instead, risk matters are brought to the attention of the board committee, more details of which can be found in the Governance section. 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

During the last quarter of the year it became clear that a new and extremely significant risk was facing the business, in the form of the global coronavirus spread and the COVID-19 pandemic.

The COVID-19 pandemic has impacted many of the other risks already facing the business, and accordingly existing mitigation plans designed to deal with those risks have been adapted, amended and upweighted as necessary. For further details of the impact 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 over the last 12 months.

Risk area	Mitigation	Changes since last year
Strategic risks - A failure to adopt the right strategy	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 in the year and will be will fully launched during the new financial year.	↑ The COVID-19 strategy 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. On 12 June 2020 we announced that all Greene King's 1700 managed pubs will now follow a new set of Pub Safe promises, 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 take on increased levels of importance when the pubs re-open
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. 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.	↑ It is unclear whether and if so, how consumer behaviour will change following the COVID-19 pandemic and the easing of the lockdown restrictions
Operational and people risks - significant data breaches through failure to comply with the GDPR regulations	A wide range of policy, technical, procedural, and operational compliance control improvements have been implemented across the business, covering all aspects of the requirements. We have a data governance committee, data protection officer and data protection champions across the business. Processes are in place to manage data breaches, which are followed up appropriately to ensure that lessons are learnt, and subject access requests are now handled centrally to ensure legislative requirements are met.	↔
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	↑ 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

	enable us to continue to brew, package and distribute our own beers.	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 employees and licensees	Since March 2020 a comprehensive and open communication plan has kept all our employees fully informed on the crisis, its impact on the business and the actions we are taking. This is ongoing and has included regular email updates, video messages, messaging via our bespoke Kingdom employee app, and online live briefings. Feedback from employees on this process has been strong. 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.	↔ .
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 £1,070m revolving loan facilities, which were £685m drawn at the year end, an £80m term loan, 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 £1,387.5m (2019: £1,537.5m) and an average life of nine years (2019: nine years), secured against 1,491 pubs (2019: 1,539 pubs) with a group carrying value of £2.0bn (2019: £2.0bn). The Spirit debenture had secured bonds with a carrying value of £100.1m (2019: £379.5m) and an average life of eleven years (2019: eight years), secured against 537 pubs (2019: 695 pubs) with a group carrying value of £0.5bn (2019: £0.8bn). On 29 June 2020 the company established a commercial paper programme for the purpose of issuing notes guaranteed by CK Asset Holdings Limited which are eligible for purchase under the joint HM Treasury and Bank of England COVID Corporate Financing Facility. On 2 July 2020 the company issued a note under this programme with a principal amount of £300m, maturing on 31 March 2021.	↑ 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. See the Going concern disclosure on page 31 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 finance teams. The impact on covenant headroom across all debt platforms is considered by management when assessing potential future transactions.	↑ 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. See the Going concern disclosure on page 31 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 plans are in place to de-risk the investment strategy of the Greene King pension scheme. The Greene King and Spirit schemes both underwent a full actuarial valuation during 2018/19. The Spirit scheme is in surplus on an actuarial basis and therefore continues to not require funding from the Company. The Greene King scheme remains in deficit, with the Company contribution being an agreed £4.5m per annum.	↔

Change since last year

↑ Increased ↓ Decreased ↔ No change

CORPORATE SOCIAL RESPONSIBILITIES

Greene king for good

The great British pub lies at the heart of every community with pubs playing a huge role in bringing those communities together. Providing the very best experience for our customers, brewing the tastiest beers, being a company our people love to work for and playing our role within the communities in which we operate in are our guiding principles. Within that we operate to four central pillars of our Corporate Social Responsibility strategy which are linked to our business strategy and values.

- Greener Thinking
- Providing good work for everyone
- Being a good neighbour
- Helping people lead healthy and happy lives

Greener thinking

We Care about operating in a sustainable way within our environment, locally in our pubs and breweries but also nationally and internationally through our supply and sourcing strategy. This year has been our busiest yet making positive changes towards our goal of operating in the most sustainable way possible and this was acknowledged in March 2020 when Greene King was named Best Sustainable Pub Company at The Publican Awards.

In 2013 we made the commitment to create a waste recycling solution that could adapt, be flexible and grow. Central to our greener thinking strategy we pledged our commitment to reach our target of zero waste to landfill by 2020, aiming to create a best practice solution and be a stimulus for change across our industry. This was achieved in April 2020 when Greene King became the first pub company in the UK to achieve the Carbon Trust's Zero Waste to Landfill Standard.

Alongside this pledge we have committed to reducing food waste by 50% by 2030 and are pleased to report in we launched Too Good to Go, an initiative that enables customers to buy takeaway meals towards the end of the day from our Pub and Carveries and Farmhouse Inns pubs in a bid to reduce food waste. This was supported with a nationwide consumer awareness campaign. In September 2019 we also signed up to two national pledges aiming to cut food waste – WRAP's Food Waste Reduction Roadmap and the Government's Step Up to the Plate pledge.

Greene King is proud to have introduced a sector leading recycling closed loop supply chain solution across the business. Every year 1.4 million Christmas crackers are pulled in our pubs during the festive season and so this year we introduced greener ones made from recyclable material, replacing all single use plastic contents with gifts made from sustainable sources such as metal, wood and paper. In 2018, our industry leading closed loop solution replaced single use plastic straws with fully compostable one's and now we are now trialling signage to educate our customers on straw usage.

Obtaining a Water Supply and Sewerage Licence in 2017 gave us the control and transparency to continue reducing the water we use via accurate and correct water data.

Our statistics at a glance

Water saving	2020
Pints of water saved per day	443,579
Water audits	202
Reduction in billing (ongoing savings)	£256,456

	2020	
Recycling	Tonnes	%
Waste diverted on site	41,418	72
Waste sent to Energy from Waste (EFW)	10,266	18
Waste sent to Mixed Recycling Facility (MRF)	4,891	9
Waste sent to Landfill	643	1
	57,218	100

	Tonnes	
Waste reduction, recycled	2020	2019
Glass	19,696	20,156
Food (diverted to anaerobic digestion to generate electricity)[1]	13,239	11,674
Carboard	4,155	5,169
Used cooking oil (converted to biodiesel)[2]	2,517	3,058
Mixed plastic	895	761
Tin	89	57

1. 1 Tonne of food waste will generate 300kWh of energy. For the period, Greene King has produced 3,971,910 kwh of electricity which is enough electricity to power 11,916 UK homes for a month (based on an average consumption of 4,000 kwh p/a)/.
2. 2,517 Tonnes of used cooking oil (converted to biodiesel) represents 3.02m litres, down from 3.33m litres last year.

Energy Saving

The table below, which has been produced in compliance with the requirements of The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 Part 7A of Schedule 7, shows the main greenhouse gas emissions in tonnes of CO2 equivalent (CO2 e).

The top part of the table 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 direct emissions (2018 for 2018/19 and 2019 for 2019/20). 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.

The bottom part of the table 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 (2018 for 2018/19 and 2019 for 2019/20).

Electricity and gas figures in the table below cover the CRC reporting period from 1 April to 31 March each year, whilst all other figures cover our respective financial years. The intensity ratio refers to turnover in our Pub Company and Brewing & Brands businesses as the vast majority of our CO2 emissions relate to those businesses.

CO_2 emissions by type

	Source of emissions	2019/20 tonnes of CO_2e	Equivalent kWh	2018/19 tonnes of CO_2e	2017/18 tonnes of CO_2e
Direct emissions Scope 1	Natural gas	60,419	329,241,285	64,209	65,247
	Gas oil	749	2,969,147	570	760
	Kerosene	264	1,080,012	302	367
	LPG	3,825	17,362,878	4,134	3,943
	Red diesel	69	260,640	54	58
	Refrigerants	-	-	3,837	3,979
	Owned vehicles	6,674	31,749,899	8,052	8,942
Total direct emissions Scope 1		72,000	382,663,861	81,158	83,296
Indirect emissions Scope 2	Electricity	81,468	321,272,615	93,983	116,912
Gross emissions		153,468	703,936,476	175,140	200,208
Turnover in Pub Company and Brewing & Brands (£m)		1,761.1		2,026.8	1,982.8
Tonnes CO_2e per £1k turnover		0.087		0.086	0.101

Providing good work for everyone

At Greene King we pride ourselves in investing in our people and giving our people the *Freedom to Succeed*. We are a leading UK employer, with 38,000 team members working in our pubs, restaurants, hotels, breweries, distribution centres and offices across the country. Talent attraction, retention and development are at the forefront of everything we do and by providing a great environment and ethos in the way we work, and allowing our teams to *Take Ownership*, we are creating a sustainable future for our business.

Towards the end of our financial year we began the rollout of our new Culture and Values programme which is how we will drive the future success of our business, in pursuit of a purpose we are proud of…We pour happiness into lives, delivered by a clear strategy and underpinned by our Greene King values.

Our values, co-created with our team members, are central to what we do:

- **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 values have guided us as we navigate the uncertainty, we find ourselves in. As we face the challenges that COVID-19 brings us all, our people and their welfare remain at the very centre of our own response to the crisis.

Meeting Our Pledges

In January 2019, we launched The Stepping Up Report, challenging the barriers of social mobility and providing a commitment to create the best opportunities for individuals from all backgrounds in the hospitality sector and we continued to make good progress through the year.

In the report, Greene King set out five ambitions to encourage greater social mobility which we have been working towards achieving this year:

1. **Releasing Potential**, **our employment programme for ex-offenders**. Working with the Ministry of Justice, the charity Only A Pavement Away and partners Novus, Clean Sheet and Sodexo, we have engaged with a number of prisons and have recruited 38 people.
2. A commitment to support **20,000 apprentices** by 2022, and this year we have had 2,173 people in learning and have now supported over 12,000 apprentices.
3. The first hospitality company to become **a signatory to Business in the Community's Race at Work Charter** when we signed the Charter in January last year. This will see the appointment of an Executive Sponsor for Race, working towards the capturing of ethnicity data and acting to support the career progression of ethnic minorities.

4. **Extending partnership with The Prince's Trust** for a fourth year with a target to increase the number of people being offered a permanent role from 67% to 75% after successful completion of the 'Get into Hospitality' programme. This year we have supported 385 young people through this programme and donated £20,000 to The Prince's Trust Young Persons Support Fund in response to COVID-19.

Learning and development

Learning, training and development of our people is an important focus for our business. In 2019 we spent over £2.4m supporting our people with the skills to enhance their careers. During the year our online learning platform Tap delivered 230,000 hours of online training, and a further 19 employees have embarked on an MBA with Birmingham City University.

Diversity and inclusion

We promote an environment in our pubs, restaurants, hotels, breweries and offices that is free from discrimination. We work to a policy in which no employee receives less favourable treatment on the grounds of their colour, nationality, race, religion, beliefs, ethnic or national origin, sec, marital or civil partnership status, gender reassignment (whether proposed, started or completed and under or not under medical supervision), disability or pas disability, part-time or fixed-term status, pregnancy or maternity, parental responsibilities, sexual orientation or age (a protected characteristic).

In January 2020 Greene King joined four organisations which represent the key areas we are championing; Stonewall's Diversity Champions Programme for its LGBT+ community; Women in Hospitality to support women and developing their careers; Business in the Community's Race at Work Charter and the Business Disability Forum.

Greene King has also supported the creation of employee led groups including LGBT+ Network, The Village Greene and Team47 to help women within Greene King network grow their careers.

Wellbeing

As one of the UK's leading employers we are committed to supporting the wellbeing of all our people. For the fourth year running Wellbeing Week across our business promoting and educating team members on physical, emotional and social wellness via our employee app, Kingdom and through activities held at our support centres in Bury St Edmunds and Burton on Trent. Since COVID-19 crisis wellbeing of our people has been even more important and the business has launched a number of initiatives to support our teams as we navigate the situation (please see COVID-19 section for more details).

Your Voice

In 2019 we launched Your Voice, a communications and engagement forum chaired by members of the operating board and senior leadership team to encourage our teams to discuss things that matter to them. As a direct result of Your Voice several fantastic employee led ideas and initiatives have been introduced across the business in 2019/20.

Being a good neighbour

Our pubs play a vital role are at the heart of their communities and are so much more than a place to enjoy great food, drinks and entertainment. They offer the social hub for communities and play an important role in supporting local services and good causes. Our pubs may have been closed temporarily due to COVID-19 but rest assured our teams have been busy during this time supporting the communities that matter to them.

Our national charity partnership with Macmillan Cancer Support goes from strength to strength with £7.5m raised since 2012 and a staggering £1.9m in this financial year alone, up from £1.4m last year. Our teams and customers continue to amaze us with their passionate support for Macmillan Cancer Support. In September 2019, to mark the 300th years of Belhaven Brewery 20 team members within the business cycled 420 miles from Bury St Edmunds to Dunbar in aid of the charity. With pubs temporarily closed many of our team members have continued to show their support for the charity by training as telephone buddy volunteers providing telephone support to those living with cancer.

This year we launched a new initiative, 'No One Alone' to help tackle loneliness in local communities, with our pubs playing a central role hosting events and working with community groups to bring people together in the pub. As well as partnering with MeetUpMondays, we offered community tables on Christmas Day at our pubs and provide free meeting space for community groups throughout the year.

Greene King has been a proud supporter of Pub is The Hub, an initiative that provides a range of free advice to licensees, communities and local authorities, who wish to use the pub to broaden their services to the wider community. Now in our 7th year of supporting Pub is the Hub, in 2019 we donated £25,000 brining our total support to £110,000.

Throughout 2019/20 Greene King has continued to support ad hoc charities close to our communities, whether near our support centres in Bury St Edmunds and Burton-on-Trent or close to our pubs. We are also proud offer sponsorship support to local organisations and initiatives in our hometown including Bury in Bloom and Abbey 1000.

Helping people lead happy and healthy lives

As the country's leading pub retailer, we recognise our responsibility to provide our customers with a wide choice of food and drinks, enabling them to choose healthier options such as vegan dishes and low-alcohol beer, and labelling our products clearly with allergen and calorie information.

This year we introduced calorie, sugar and salt reduction targets and reformulated our menus to achieve this. We increased the number of dishes under 600 calories on our menus and added calorie labelling for all dishes. We also made further progress on our children's menus and pledged to provide children's menus which help parents achieve the government recommendation of five potions of fruit and vegetables a day. With this in mind we added 'Pick & Mix' option to our children's menus allowing for greater healthy variation and choice. The trend towards plant-based nutrition has been adopted by Greene King and in the current year we have seen a 61.7% increase of vegan, vegetarian and gluten free dishes on our menus.

NON-FINANCIAL INFORMATION

Environment & Energy and Carbon Reporting

Operating sustainably including greenhouse gas emissions – see pages 22 to 26

Employees & Statement on Employee Engagement

It is our policy to ensure that employees 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 employees fairly and equally and will endeavour to provide workplace adaptions and training for employees 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.

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 at www.greeneking.co.uk/modern-slavery-statement-2018.

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.

R Smothers

Director

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE REPORT

Background

The governance arrangements for the Company have undergone significant change during the year, as a result of the acquisition of the Company by CK Noble (UK) Limited, a wholly owned indirect subsidiary of CK Asset Holdings Limited (CKA), a company incorporated in the Cayman Islands and registered in Hong Kong, with its shares listed on the Main Board of the Hong Kong Stock Exchange. The acquisition was undertaken by means of a scheme of arrangement which became effective on 30 October 2019 (the "Effective Date").

Initial governance arrangements

During the first part of the year the board (the "Former Board") comprised a chairman, two executive directors and five non-executive directors, details of which are set out on page 30. These directors were responsible for the governance arrangements of the group until the Effective Date and for ensuring that the company complied with the UK Corporate Governance Code until that date. Accordingly, during the period until the effective date, arrangements were in place to ensure the independence of the non-executive directors, the existence of a senior independent non-executive director, the division of responsibilities between the chairman and the chief executive, the effectiveness of the board and the smooth operation of its meetings, the delegation of certain responsibilities to various committees (a nomination committee, an audit and risk committee and a remuneration committee), the induction of new directors and all other matters required by the UK Corporate Governance Code.

The key focus areas for the Former Board during the first part of the year were to ensure that Nick Mackenzie, who joined the board as chief executive officer on 1 May 2019, received an appropriate induction into the business, and to deal with the approach made by CKA to acquire the entire issued and to be issued share capital of the company. In relation to the former, the induction programme was wide-ranging and thorough, covering all aspects of the business and the sector. Further information on the approach the plc board took in dealing with the approach from CK Asset Holdings Limited can be found in the section entitled Directors duties and section 172 Companies Act 2006, in the strategic report.

New governance arrangements

On 30 October 2019, the effective date of the scheme of arrangement effecting the acquisition of the company by CKA, the chairman and the non-executive directors of the Former Board resigned and were replaced by a new chairman and four new non-executive directors, all nominated by CKA. Nick Mackenzie, chief executive officer, and Richard Smothers, chief financial officer, remained on the board. Details of all the current board members are set out on page 30.

The board has met twice since 30 October 2019, including to approve this annual report and financial statements, and has dealt with various other matters by way of written resolution.

In line with the agreement reached with CKA during the acquisition process, the new 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 new governance 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 CKA's group of companies. 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.

Given that the chief executive officer, Nick Mackenzie, only joined the company in May 2019, and was then quickly required to focus on the potential acquisition of the company by CKA work to develop the company's new strategy began later in the year, following the completion of the takeover. The board has been kept informed of the work being undertaken to develop a new purpose, vision, values and strategic drivers, further details of which are set out in the strategic report.

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, in addition to agreeing the overarching corporate governance principles which apply to the company, also approved the establishment of a board committee, whose initial members comprise representatives from CKA and the chief executive officer, chief financial officer and chief people officer of Greene King. The board committee 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 schedule of matters reserved for the board;
- 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 are reviewed and approved by the board;
- ongoing monitoring by both the board and senior management of performance against budgets, through the periodic reporting of detailed management accounts and key performance indicators;
- ongoing monitoring by the board of compliance with financial covenants;
- a centralised financial reporting system and close process, with controls and reconciliation procedures designed to facilitate the production of the consolidated accounts;
- clearly defined evaluation and approval processes for acquisitions and disposals, capital expenditure and project control, with escalating levels of authority (including board approval for major acquisitions and disposals), detailed appraisal and review procedures and post-completion reviews;
- review of retail operational compliance by the retail internal audit team responsible and other analytical and control procedures facilitated by the EPOS till system;
- audits conducted by the group internal audit function of business and functional control environments; and
- documented policies to cover data protection, modern slavery, bribery and whistle-blowing and regular updates on any incidents.

Remuneration

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

The Former Board ensured that executive remuneration packages were 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 was aligned with performance, behaviours and the achievement of the company's purpose, values and strategy. There have been no increases or changes in remuneration for the executive board nor any changes to executive remuneration structures since October 2019. 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 52-week period ended 26 April 2020. The Company has chosen in accordance with section 414C(11) of the Companies Act 2006 to include matters of strategic importance in the strategic report which otherwise would be required to be disclosed in the directors' report.

Stakeholder and employee engagement	p 24 to 26
Greenhouse gas emissions, energy consumption and energy efficiency	p 22 to 24
Corporate governance statement	p 27 to 29
Section 172 statement	p 17 to 19
Employing disabled persons	p 26

The Company

Greene King Limited is a private limited company with registered office at Westgate Brewery, Bury St Edmunds, Suffolk, IP33 1QT. Until the acquisition of the Company by CKA the Company was a public limited company with its shares listed on the London Stock Exchange. The reregistration of the Company as a private limited company was effected on 31 October 2019.

Results and dividends

The underlying profit before tax was £107.6m (2019: profit £246.9m). In September 2019, 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, making the total dividend paid in the year of £102.6m. (2019: £102.9m). The directors do not recommend the payment of a final dividend.

Directors and their interests

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

P Yea (resigned 30 October 2019), former non-executive chairman

N Mackenzie (appointed 1 May 2019), chief executive officer

R Anand (resigned 30 April 2019), former chief executive officer

R Smothers, chief financial officer

M Coupe (resigned 30 October 2019), non-executive director

R Rowley (resigned 30 October 2019), non-executive director

L Weedall (resigned 30 October 2019), non-executive director

G Fryett (resigned 30 October 2019), non-executive director

S Turner (appointed 1 May 2019 and resigned 30 October 2019), non-executive director

D Dyson (appointed on 30 October 2019), non-executive director

A Hunter (appointed 30 October 2019), non-executive director

L C G Ma (appointed 30 October 2019), non-executive director

P Macnab (appointed 31 October 2019), non-executive director

G Magnus (appointed 30 October 2019), current non-executive chairman

The shares held by the directors in the capital of the company were sold to CK Noble (UK) Limited as part of the acquisition of the company.

Future developments

The group intends to continue 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 re-opening 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.

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.

Since the closure of the pubs in March 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 VAT and other tax payments in the short-term as well as the Coronavirus Job Retention Scheme.

On 29 June 2020 the company established a commercial paper programme for the purpose of issuing notes guaranteed by CK Asset Holdings Limited which are eligible for purchase under the joint HM Treasury and Bank of England COVID Corporate Financing Facility (CCFF). The company is eligible to issue notes with a total principal amount of up to £1bn under this facility. On 2 July 2020 the company issued a note under this programme with a principal amount of £300m, maturing on 31 March 2021. The remaining facility of £700m is undrawn at the end of July 2020.

The CCFF was established by HM Treasury and the Bank of England in March 2020 and the Bank of England has publicly stated on its website that it "will operate the facility for at least 12 months and for as long as steps are needed to relieve cash flow pressures on firms that make a material contribution to the UK economy". On this basis, the directors believe that liquidity under the CCFF would be available to the Group should it be required, although its use is not assumed in the forecast.

In addition, the principal elements of the group's financing structure are:

- a £750m 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 £1,387.5m (2019: £1,537.5m) and an average life of nine years (2019: nine years), secured against 1,491 pubs (2019: 1,539 pubs) with a group carrying value of £2.0bn (2019: £2.0bn); and
- the Spirit debenture of secured bonds with a carrying value of £100.1m (2019: £379.5m) and an average life of eleven years (2019: eight years), secured against 537 pubs (2019: 695 pubs) with a group carrying value of £0.5bn (2019: £0.8bn).

The un-utilised facilities at the end of the financial year were £385m. At the end of July 2020, the Group had undrawn committed facilities of £485m, and also had access to a further £700m of liquidity under the CCFF.

Pubs are now allowed to trade within the safety guidelines issued by HM Government however there remains significant uncertainty across the whole hospitality sector over how much and how quickly trade will return. There also remains the possibility of further widespread enforced closures. As a result, for the purposes of considering going concern, the directors have modelled a worst-case scenario that assumes the Group's pubs remain closed for the entire 12 month going concern period. Even under this worst-case basis 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 financial statements. This assessment is made without consideration of additional liquidity available from the undrawn element of the CCFF programme. At the time of signing the financial statements approximately 1,500 of the managed pubs have been reopened and therefore the directors believe that the actual outcome will be better than the worst-case scenario.

Given the length of time the pubs have been closed the Group is forecast to breach certain Q1 financial covenants on both its long-term asset-backed financing vehicles. The directors have 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. A waiver has not been obtained in relation to the Spirit debenture, however, the directors believe it's highly improbable that a default will be enforced. In addition, if the technical default were to be enforced the redemption amount that would be payable on the Spirit debenture bonds is immaterial in the context of our undrawn facilities. As a result of these discussions, and with the reopening of pubs on 6 July 2020, the directors do not anticipate the debt being re-called on either of the asset-backed financing vehicles.

Having assessed the combination 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 both long-term asset-backed financing vehicles in the knowledge that it could be reliant upon continued waiver of debt covenants which are forecast to be breached. This significant judgement represents a material uncertainty that may cast significant doubt on the group's ability to continue as a going concern.

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 employees 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

Ernst & Young LLP will be resigning as auditor of the group and its subsidiaries when each of the FY20 accounts are signed. The company proposes to appoint Deloitte LLP to audit the next financial statements of the Company, which will be for the period to 3 January 2021, as the Company will be aligning its financial year end to that used by the remainder of the CKA group.

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 director to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards ('IFRS') as adopted by the European Union, 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:

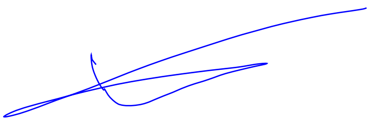
- Select suitable accounting policies and apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- In respect of 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.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report and directors' report that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.
The directors confirm, to the best of their knowledge:

- That the consolidated financial statements are prepared in accordance with IFRSs, as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the company and undertakings included in the consolidation taken as a whole;
- That the annual report, including the strategic report includes a fair review of the development and performance of the business and the position of the company and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face;
- Having taken into account all matters considered by the board and brought to the attention of the board during the year, the directors consider that the annual report, taken as a whole, is fair, balanced and understandable.

This report was approved by the board on 12 August 2020 and signed on its behalf.



R Smothers

Director

FINANCIAL STATEMENTS

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

Opinion

We have audited the financial statements of Greene King Limited ('the parent company') and its subsidiaries (the 'group') for the 52 week period ended 26 April 2020 which comprise the Group Income Statement, the Group statement of comprehensive income, the Group balance sheet, the Group statement of changes in equity, the Group cash flow statement, the Company balance sheet and the Company statement of changes in equity and the related notes 1 to 46, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the group's and of the parent company's affairs as at 26 April 2020 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance in with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, 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 Note 1 in the consolidated financial statements, which describe the impact of COVID-19 on the Group, including on its ability to continue as a going concern. A material uncertainty exists relating to the continued availability of both long-term asset-backed financing vehicles in the knowledge that this could be reliant upon continued waiver of debt covenants which are forecast to be breached.

As stated in Note 1, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of matter – material valuation uncertainty in assessment of fair value less cost of disposal of property, plant and equipment

In forming our opinion on the accounts, which is not modified, we have considered the adequacy of the disclosure made in note 13 to the accounts concerning the material valuation uncertainty in the assessment of the fair value less cost of disposal of property, plant and equipment.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 32, 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 Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Lloyd Brown (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

14 August 2020

GROUP INCOME STATEMENT

FOR THE 52 WEEKS ENDED 26 APRIL 2020

	Note	2020 Total £m	2019 (restated [1]) Total £m
Revenue	3	**1,919.0**	2,216.9
Operating costs	4	**(1,996.6)**	(1,902.2)
Operating (loss)/profit		**(77.6)**	314.7
Analysed as:			
Underlying operating profit		**253.1**	368.2
Separately disclosed exceptional and non-underling items	5	**(330.7)**	(53.5)
Finance income	7	**1.6**	1.1
Finance cost	7	**(197.0)**	(143.0)
Analysed as:			
Underlying net finance costs		**(145.5)**	(121.3)
Separately disclosed exceptional and non-underlying items	5	**(49.9)**	(20.6)
(Loss)/profit before tax		**(273.0)**	172.8
Tax	10	**(22.8)**	(53.8)
Analysed as:			
Underlying tax		**(20.5)**	(47.2)
Separately disclosed exceptional and non-underlying items [1]	5	**(2.3)**	(6.6)
(Loss)/profit attributable to equity holders of parent		**(295.8)**	119.0

[1] Exceptional and non-underlying tax has been restated. See note 1 for further details.

IFRS 16 – *Leases* was adopted on the 29 April 2019 for our statutory reporting without restating prior year figures. As a result, the primary statements are shown on an IFRS 16 basis for 2020 and an IAS 17 for 2019. Note 1 provides a reconciliation of the two measures.

The notes on pages 41 to 99 form part of these financial statements.

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE 52 WEEKS ENDED 26 APRIL 2020

	Note	2020 £m	2019 (restated[1]) £m
(Loss)/profit for the period		**(295.8)**	119.0
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		**(53.9)**	(21.2)
– Transfers to income statement on cash flow hedges		**42.3**	21.9
Deferred tax on cash flow hedges	10	**3.8**	0.6
		(7.8)	1.3
Items not to be reclassified to the income statement in subsequent periods			
Remeasurement gains on defined benefit pension schemes	9	**15.3**	17.0
Current Tax on defined benefit pension schemes	10	**0.4**	–
Deferred Tax on remeasurement gains	10	**(3.3)**	(2.9)
		12.4	14.1
Other comprehensive income for the period, net of tax		**4.6**	15.4
Total comprehensive (loss)/income for the period, net of tax		**(291.2)**	134.4

1. Exceptional and non-underlying tax has been restated. As a consequence, profit for the period and total comprehensive income for the period, net of tax has been restated. See note 1 for further details.

The notes on pages 41 to 99 form part of these financial statements.

GROUP BALANCE SHEET

AS AT 26 APRIL 2020

	Note	As at 26 April 2020 £m	As at 28 April 2019 (restated[1]) £m	As at 29 April 2018 (restated[1]) £m
Non-current assets				
Property, plant and equipment	13	**3,495.0**	3,537.0	3,589.2
Right of Use Assets	21	**890.6**	–	–
Intangibles	12	**8.8**	112.2	124.7
Goodwill	12	**906.2**	1,104.7	1,115.5
Financial assets	14	**4.1**	13.4	13.2
Derivative financial instruments	23	**–**	–	1.5
Deferred tax assets	10	**3.4**	–	–
Post-employment assets	9	**51.8**	32.4	13.6
Prepayments		**–**	0.1	0.2
Trade and other receivables	17	**–**	–	0.1
		5,359.9	4,799.8	4,858.0
Current assets				
Inventories	16	**39.8**	51.1	47.7
Financial assets	14	**0.9**	9.0	10.5
Income tax receivable	10	**–**	–	10.2
Trade and other receivables	17	**83.9**	89.7	87.5
Prepayments		**14.3**	32.6	26.3
Cash and cash equivalents	18	**20.4**	185.3	168.5
		159.3	367.7	350.7
Property, plant and equipment held for sale	19	**1.9**	6.4	8.6
		161.2	374.1	359.3
Total assets		**5,521.1**	5,173.9	5,217.3
Current liabilities				
Borrowings	22	**(37.1)**	(66.2)	(54.6)
Lease liabilities	21	**(41.1)**	–	–
Derivative financial instruments	23	**(11.0)**	(21.7)	(20.6)
Trade and other payables	20	**(292.5)**	(408.9)	(420.0)
Off-market contract liabilities	24	**–**	(17.8)	(17.9)
Income tax payable	10	**(5.6)**	(13.2)	–
Provisions	24	**(3.8)**	(31.3)	(29.5)
		(391.1)	(559.1)	(542.6)
Non-current liabilities				
Borrowings	22	**(2,213.5)**	(2,062.4)	(2,146.2)
Lease Liabilities	21	**(1,132.7)**	–	–
Derivative financial instruments	23	**(151.6)**	(208.3)	(222.0)
Deferred tax liabilities[1]	10	**–**	(16.6)	(4.6)
Trade and other payables	20	**–**	(1.7)	(1.8)
Off-market contract liabilities	24	**–**	(219.2)	(228.6)
Post-employment liabilities	9	**–**	(1.3)	–
Provisions	24	**(3.1)**	(23.5)	(23.1)
		(3,500.9)	(2,533.0)	(2,626.3)
Total liabilities		**(3,892.0)**	(3,092.1)	(3,168.9)
Total net assets		**1,629.1**	2,081.8	2,048.4

	Note	As at 26 April 2020 £m	As at 28 April 2019 (restated[1]) £m	As at 29 April 2018 (restated[1]) £m
Issued capital and reserves				
Share capital	25	**39.0**	38.7	38.7
Share premium	26	**269.4**	262.2	262.0
Merger reserve	26	**752.0**	752.0	752.0
Capital redemption reserve	26	**3.3**	3.3	3.3
Hedging reserve	26	**(169.4)**	(161.6)	(158.1)
Own shares	26	**–**	–	(0.5)
Retained earnings[1]		**734.8**	1,187.2	1,151.0
Total equity		**1,629.1**	2,081.8	2,048.4
Net debt	28	**(2,230.2)**	(1,943.3)	(2,032.3)

1. Deferred tax and retained earnings have been restated. See note 1 for further details.

The notes on pages 41 to 99 form part of these financial statements.

Signed on behalf of the board on 12 August 2020

Richard Smothers
Director

GROUP CASH FLOW STATEMENT

FOR THE 52 WEEKS ENDED 26 APRIL 2020

	Note	2020 £m	2019 £m
Operating activities			
Operating (loss)/profit		**(77.6)**	314.7
Operating exceptional and non-underlying items	5	**330.7**	53.5
Depreciation	4	**157.9**	105.6
Amortisation	4	**0.9**	8.2
EBITDA[1]	3	**411.9**	482.0
Working capital and other movements	27	**(145.6)**	(41.4)
Interest received		**0.8**	0.7
Interest paid		**(152.7)**	(117.6)
Tax paid		**(33.9)**	(21.0)
Net cash flow from operating activities		**80.5**	302.7
Investing activities			
Purchase of property, plant and equipment		**(166.3)**	(163.4)
Advances of trade loans	14	**(4.8)**	(5.5)
Repayment of trade loans	14	**7.3**	6.1
Sales of property, plant and equipment		**35.1**	75.8
Net cash flow from investing activities		**(128.7)**	(87.0)
Financing activities			
Equity dividends paid	11	**(102.6)**	(102.9)
Issue of shares		**7.5**	0.2
Purchase of own shares		**(0.1)**	–
Payment of derivative financial liabilities	28	**(119.3)**	(18.6)
Securitised bond issuance	28	**–**	250.0
Financing costs	28	**(2.0)**	(15.8)
Repayment of borrowings	28	**(705.4)**	(539.9)
Advance of borrowings	28	**846.4**	226.8
Repayments of lease liabilities	28	**(39.9)**	–
Net cash flow from financing activities		**(115.4)**	(200.2)
Net (decrease)/increase in cash and cash equivalents		**(163.6)**	15.5
Opening cash and cash equivalents	18	**184.0**	168.5
Closing cash and cash equivalents	18	**20.4**	184.0

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

The notes on pages 41 to 99 form part of these financial statements.

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE 52 WEEKS ENDED 26 APRIL 2020

	Note	Share capital £m	Share premium £m	Merger reserve £m	Capital redemption reserve £m	Hedging reserve £m	Own shares £m	Retained earnings £m	Total equity £m
At 29 April 2018 (as previously stated)		**38.7**	**262.0**	**752.0**	**3.3**	**(158.1)**	**(0.5)**	**1,175.7**	**2,073.1**
Prior year adjustment		–	–	–	–	–	–	(24.7)	(24.7)
At 29 April 2018 (restated)		**38.7**	**262.0**	**752.0**	**3.3**	**(158.1)**	**(0.5)**	**1,151.0**	**2,048.4**
Profit for the period (restated)			–	–	–	–	–	119.0	119.0
Other comprehensive income:									
Actuarial gains on defined benefit pension schemes (net of tax)		–	–	–	–	–	–	14.1	14.1
Net loss on cash flow hedges (net of tax)		–	–	–	–	1.3	–	–	1.3
Total comprehensive income		**–**	**–**	**–**	**–**	**1.3**	**–**	**133.1**	**134.4**
Issue of ordinary share capital	25	–	0.2	–	–	–	–	–	0.2
Transfer		–	–	–	–	(4.8)	–	4.8	–
Release of shares	26	–	–	–	–	–	0.5	(0.5)	–
Share-based payments (net of tax)	8	–	–	–	–	–	–	1.7	1.7
Equity dividends paid	11	–	–	–	–	–	–	(102.9)	(102.9)
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	1	–	–	–	–	–	–	(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 (net of tax)	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**

The notes on pages 41 to 99 form part of these financial statements.

NOTES TO THE ACCOUNTS

FOR THE 52 WEEKS ENDED 26 APRIL 2020

1 BASIS OF PREPARATION

Corporate information

On 30 October 2019, all shares held in Greene King plc were purchased by CK Noble (UK) Limited, a company incorporated in Jersey and with ultimate parent company of CK Asset Holdings Limited. Upon acquisition, Greene King plc delisted from the London Stock Exchange and the company name was changed to Greene King Limited. The consolidated financial statements of Greene King Limited (formerly Greene King plc) for the 52 weeks ended 26 April 2020 were authorised for issue by the board of directors on 12 August 2020. 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) as adopted by the EU as they apply to the financial statements of the group for the 52 weeks ended 26 April 2020 (prior year 52 weeks ended 28 April 2019).

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.

Prior year adjustment

The group identified an error within its assessment of deferred tax which dates back prior to the earliest prior period presented within these financial statements. In line with IAS 8, the group has restated balances as at 29 April 2018, and restated its financial results for the period ending 28 April 2019.

The issue identified as at 29 April 2018 related to overstated base cost of property, plant and equipment recoverable on a sales basis and the calculation of deferred tax liabilities thereon (£30.8m in FY19 and £26.3m in FY18), in addition deferred tax assets on corporate interest restriction has now been recognised under IAS 12.28 (£4.7m in FY19, £1.6m in FY18) as a result of the FY19 balance sheet now being in a net deferred tax liability position following the property, plant and equipment error correction.

The financial impact of the errors identified are as follows:

Balance sheet

	As at 28 April 2019			As at 29 April 2018		
	Reported £m	**Adjustment £m**	**Restated £m**	**Reported £m**	**Adjustment £m**	**Restated £m**
Deferred tax asset/(liability)	9.5	(26.1)	(16.6)	20.1	(24.7)	(4.6)
Retained earnings	(1,213.3)	26.1	(1,187.2)	(1,175.7)	24.7	(1,151.0)

Income statement for the 52 weeks ended 28 April 2019

	Reported £m	**Adjustment £m**	**Restated £m**
Profit before tax	172.8	–	172.8
Tax	(52.4)	(1.4)	(53.8)
Profit after tax	120.4	(1.4)	119.0

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.

Since the closure of the pubs in March 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 VAT and other tax payments in the short-term as well as the Coronavirus Job Retention Scheme.

On 29 June 2020 the company established a commercial paper programme for the purpose of issuing notes guaranteed by CK Asset Holdings Limited which are eligible for purchase under the joint HM Treasury and Bank of England COVID Corporate Financing Facility (CCFF). The company is eligible to issue notes with a total principal amount of up to £1bn under this facility. On 2 July 2020 the company issued a note under this programme with a principal amount of £300m, maturing on 31 March 2021. The remaining facility of £700m is undrawn at the end of July 2020.

The CCFF was established by HM Treasury and the Bank of England in March 2020 and the Bank of England has publicly stated on its website that it "will operate the facility for at least 12 months and for as long as steps are needed to relieve cash flow pressures on firms that make a material contribution to the UK economy". On this basis, the directors believe that liquidity under the CCFF would be available to the Group should it be required, although its use is not assumed in the forecast.

In addition, the principal elements of the group's financing structure are:

- a £750m 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 £1,387.5m (2019: £1,537.5m) and an average life of nine years (2019: nine years), secured against 1,491 pubs (2019: 1,539 pubs) with a group carrying value of £2.0bn (2019: £2.0bn); and
- the Spirit debenture of secured bonds with a carrying value of £100.1m (2019: £379.5m) and an average life of eleven years (2019: eight years), secured against 537 pubs (2019: 695 pubs) with a group carrying value of £0.5bn (2019: £0.8bn).

The un-utilised facilities at the end of the financial year were £385m. At the end of July 2020, the Group had undrawn committed facilities of £485m, and also had access to a further £700m of liquidity under the CCFF.

Pubs are now allowed to trade within the safety guidelines issued by HM Government however there remains significant uncertainty across the whole hospitality sector over how much and how quickly trade will return. There also remains the possibility of further widespread enforced closures. As a result, for the purposes of considering going concern, the directors have modelled a worst-case scenario that assumes the Group's pubs remain closed for the entire 12 month going concern period. Even under this worst-case basis 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 financial statements. This assessment is made without consideration of additional liquidity available from the undrawn element of the CCFF programme. At the time of signing the financial statements approximately 1,500 of the managed pubs have been reopened and therefore the directors believe that the actual outcome will be better than the worst-case scenario.

Given the length of time the pubs have been closed the Group is forecast to breach certain Q1 financial covenants on both its long-term asset-backed financing vehicles. The directors have 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. A waiver has not been obtained in relation to the Spirit debenture, however, the directors believe it's highly improbable that a default will be enforced. In addition, if the technical default were to be enforced the redemption amount that would be payable on the Spirit debenture bonds is immaterial in the context of our undrawn facilities. As a result of these discussions, and with the reopening of pubs on 6 July 2020, the directors do not anticipate the debt being re-called on either of the asset-backed financing vehicles.

Having assessed the combination 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 both long-term asset-backed financing vehicles in the knowledge that it could be reliant upon continued waiver of debt covenants which are forecast to be breached. This significant judgement represents a material uncertainty that may cast significant doubt on the group's ability to continue as a going concern.

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 29 April 2019.

Those standards and interpretations include:

- IFRS 16 Leases
- Prepayments with Negative Compensation – Amendments to IFRS 9
- Plan Amendment, Curtailment or Settlement – Amendments to IAS 19
- Interpretation 23 Uncertainty over Income Tax treatments

In addition, the group has early adopted Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7.

The Group has considered the above new standards and has concluded that only IFRS 16 has an impact on the Group's financial statements and the impact of amendments to IFRS 9, IAS 19 and IFRIC 23 are not material.

IFRS 16 Leases

The group initially applied IFRS 16 Leases from 29 April 2019 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings. Accordingly, the comparative information presented for 2019 is not restated – it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not been applied to comparative information.

Definition of a lease

Previously, the group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. The group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 2.

On transition to IFRS 16, the group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 29 April 2019.

Lessee Accounting

As a lessee, the group leases many assets including property, production equipment and vehicles. The group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the group. Under IFRS 16, the group recognises right-of-use assets and lease liabilities for most of these leases.

At commencement or on modification of a contract that contains a lease component, the group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of property the group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

i. Leases classified as operating leases under IAS 17

Previously, the group classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the incremental borrowing rate as at 29 April 2019. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lease's incremental borrowing rate at the date of initial application. The group applied this approach 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: the group applied this approach to all other leases.

When applying IFRS 16, the group has applied the following practical expedients, on transition date:

- Reliance on previous assessments on whether leases are onerous instead of performing an impairment review;
- Exclusion of initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- Reliance on the previous identification of a lease (as provided by IAS 17) for all contracts that existed on the date of initial application;
- Not to reassess lease costs to separate lease and non-lease elements upon initial application;
- The accounting for operating lease with a lease term remaining of less than 12 months as at 29 April 2019 as short-term leases and leases with value of less than £5,000 as low value leases;
- Reliance on the portfolio approach to apply a single discount rate where a group of leases have similar characteristics; based on legal owner and length of lease and
- The use of hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

ii. Leases classified as finance leases under IAS 17

The group leases a small number of items of property, plant and equipment. These leases were classified as finance leases under IAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 29 April 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

Lessor Accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance lease or operating leases and account for those two types of leases differently.

Impact of adoption of IFRS 16 Leases

Balance sheet

As at 28 April 2019, the group's future minimum lease payments under non-cancellable operating leases amounted to £1,847.5m, on an undiscounted basis. Upon transition on 29 April 2019 the group has recognised additional right-of-use assets of £901.2m (after adjustments for off market contract liabilities, intangible assets, onerous lease provisions, dilapidation provisions, lease prepayments and accrued lease expenses at 28 April 2019) and a corresponding lease liability of £1,136.9m (non-current £1,118.1m; current £39.2m).

A transition adjustment of £69.2m has been recognised as a debit to retained earnings as a result of applying the asset recalculated asset valuation option under the modified retrospective approach. An estimated deferred tax asset of £15.2m was recognised on the transitional retained earnings adjustment.

Finance leases which were previously contained within borrowings, have been reclassified as lease liabilities upon transition, with the effect of £20.4m transferring between liabilities (non-current £19.2m; current £1.2m).

The provision for onerous lease contracts, which was required under IAS 17, of £22.0m has been derecognised and factored into the measurement of the right-of-use assets. Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets, replacing the previous requirement to recognise a provision for onerous lease contracts.

Operating lease intangibles of £101.8m, off-market contract liabilities of £237.0m and lease prepayments and lease incentives of £5.9m, previously recognised in respect of the operating leases, have been derecognised and the amounts factored into the measurement of the right-of-use asset on transition to IFRS 16.

No significant impact is expected for the group's finance leases.

Assets held under Finance leases which were recognised under IAS 17 totalling £2.5m have been transferred from Property, Plant and Equipment to be recognised on transition to IFRS 16 within Right-of-Use assets.

Income statement

Under IFRS 16, the group has no longer recognised an operating lease expense on a straight-line basis but has recognised both incremental depreciation and interest. Operating Profit has improved by c £21.9m in the year as the depreciation charge is lower than the original IAS 17 lease obligation. However, when combined with incremental finance costs, profit before tax is c£9.4m lower than the previously reported basis.

For short-term leases, of 12 months or less, and leases of low-value assets, the group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. The expenses attributable to these leases have continued to be recognised in the income statement as operating lease expenses.

Tax impact on changes to the income statement

The transitional adjustment affects opening reserves with no impact to the income statement. Therefore, the transitional adjustment does not affect current tax.

The group elected to follow the accounting treatment and deduct the depreciation and interest expense when calculating current tax. No deferred tax will arise as there is no temporary difference under IAS 12.

Cash flow statement

There is no net cash flow impact on application of IFRS 16, although the classification of cash flows has been affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under IFRS 16, the lease payments are split into a principal and an interest portion which will be presented as financing and operating cash flows respectively. The change in presentation, as a result of the adoption of IFRS 16, has seen an improvement in 2020 of £39.9m in cash flow generated from operating activities, offset by a corresponding decline in cash flow from financing activities.

Impact on consolidated balance sheet at 29 April 2019 (extract)

The following table shows the estimated effect of adopting IFRS 16 on the consolidated balance sheet at 29 April 2019.

	As reported at 28 April 2019	**Transition to IFRS 16**	**Adjusted as at 29 April 2019**
	£m	**£m**	**£m**
Non-current assets			
Property, Plant and Equipment[1]	2.5	(2.5)	–
Right-of-use assets	–	903.7	903.7
Deferred tax asset	–	15.2	15.2
Intangible assets[1]	101.8	(101.8)	–
	104.3	**814.6**	**918.9**
Current assets			
Trade and other receivables	10.6	(10.6)	–
Total assets	**114.9**	**804.0**	**918.9**
Current liabilities			
Borrowings[1]	(1.2)	1.2	–
Lease Liabilities	–	(39.2)	(39.2)
Trade and other payables	(4.7)	4.7	–
Off-market contract liabilities	(17.8)	17.8	–
Provisions	(3.6)	3.6	–
	(27.3)	**(11.9)**	**(39.2)**
Non-current liabilities			
Borrowings[1]	(19.2)	19.2	–
Lease liabilities	–	(1,118.1)	(1,118.1)
Off-market contract liabilities	(219.2)	219.2	–
Provisions	(18.4)	18.4	–
	(256.8)	**(861.3)**	**(1,118.1)**
Total liabilities	**(284.1)**	**(873.2)**	**(1,157.3)**
Net liabilities	**(169.2)**	**(69.2)**	**(238.4)**
Capital and reserves			
Retained earnings	(169.2)	(69.2)	(238.4)
Total equity	**(169.2)**	**(69.2)**	**(238.4)**

1. Upon transition to IFRS 16, assets and liabilities relating to historic finance leases held under IAS 17 have been reclassified from Property, Plant and Equipment, Intangible assets and borrowings respectively

When measuring lease liabilities for leases that were classified as operating leases, the group discounted lease payments using the incremental borrowing rate at 29 April 2019. The weighted average rate applied is 3.9%.

Reconciliation between operating lease commitments and lease liability

The following table explains the difference between the operating lease commitments disclosed applying IAS 17 at 28 April 2019 and the estimated lease liability recognised on adoption of IFRS 16 at 29 April 2019.

	£m
Total minimum lease payments reported at 28 April 2019 under IAS 17 (note 29)	1,847.5
Impact of discounting lease liability under IFRS 16	(821.3)
Change in assessment of lease term under IFRS 16	110.7
Lease liability recognised on transition to IFRS 16 at 29 April 2019	**1,136.9**
Finance lease liability at 28 April 2019	20.4
Total lease liability at 29 April 2019	**1,157.3**

Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7

On 26 September 2019 the International Accounting Standards Board (IASB) published Interest Rate Benchmark Reform, Amendments to IFRS 9, IAS 39 and IFRS 7 bringing to a conclusion phase one of the IASB's work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The Group has early adopted the amendments for the period ending 26th April 2020.

The Group's hedging relationships are exposed to LIBOR interest rate benchmarks. The Intercontinental Exchange Benchmark Administration (IBA) has announced plans to phase out the IBOR benchmark and move to a new benchmark known as alternate reference rates (ARR) – by the end of 2021.

The group is monitoring developments in the market in relation to the replacement of LIBOR as a benchmark but have not yet engaged with counterparties to commence negotiations of amendments to the reference rate used for securitisation bonds/swaps which currently reference LIBOR.

The expectation is that the approach we take will ensure that the bonds and the swaps transition to a new alternate reference rate, Sterling Overnight Index Average (SONIA), at the same time and that existing hedge arrangements will continue to be highly effective. The group's hedging arrangements are discussed in note 23.

Reliefs introduced by the IASB under the Interest Rate Benchmark Reform amendments oblige users of hedge accounting to assume that the benchmark on which the hedged cash flows and the cash flows of the hedging instrument are based is not altered as a result of IBOR reform. This enables users of hedge accounting to continue to apply hedge accounting until the relief ends, being the time when the uncertainty arising from IBOR reform is no longer present with respect to the timing and amount of benchmark-based cash flows.

Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2020 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.-

- Amendments to References to the Conceptual Framework in IFRS Standards
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)

Significant accounting judgments and estimates

Significant accounting judgments

In the course of preparing the financial statements, the key judgment made in the process of applying the group's accounting policies is 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.

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 and intangible 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 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. Management has based the long-term growth rates on the performance of the operating segments within the group's latest three-year strategic plan.

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 has also been impacted by COVID-19, providing unprecedented set of circumstances on which to base a judgement of valuation at the year-end date. For a sample of sites that have been externally valued, the valuations provided have been reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. This reflects the unknown future impact 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 COVID-19 driven impairment has been calculated based on a number of assumptions to determine the reduction in cash flows across the entire estate. The assumptions include an estimated length of closure and expected costs to be incurred during this period. These assumptions have been applied on a portfolio basis across our different customer propositions. 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.

COVID-19

As explained on pages 3-5, COVID-19 has had a material impact to the financial statements. As well as impacting the impairment calculation on Goodwill, Property, Plant & Equipment and the Right of Use Asset (notes 12, 13 and 21), 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. In addition, the direct cost of COVID-19 has been recognised in exceptional items (see note 5).

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 the relevant IBR for the allocated portfolio to which the asset is assigned. As management have 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 debt financing 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 party to the lease and, where available, reflected recent third-party financing used in the entity;
- finally, the length of the lease was factored into the correlation between the term of the risk-free rate and term of the lease.

Taxation

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

Recognition of deferred tax asset and liabilities

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

Corporate interest restriction

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

- As statutory accounts are not available, group accounts have been used to estimate Net Tax Interest Expense and Tax EBITDA on an entity basis.

- Following on from the acquisition by CKA, 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 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 three 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

Operating lease intangibles

Policy applicable before 29 April 2019

The fair value attached to operating leasehold interests on acquisition are deemed to represent lease premiums and are carried as intangible assets. The operating lease intangible is amortised over the period of the lease.

Policy applicable from 29 April 2019

Upon transition to IFRS 16, lease premiums have been included within the calculation of right-of-use assets.

Brand intangibles

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

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

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.

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 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 and other receivables

Trade and other 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 and other 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.

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 or reduction in future contributions to 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

Certain employees and directors receive equity-settled remuneration, whereby they render services in exchange for shares or rights over shares. The fair value of the shares and options granted is measured using a Black-Scholes model, at the date at which they were granted. No account is 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 are required to be met in order for an employee to become fully entitled to an award are 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 is recognised as an employee expense with a corresponding increase in equity spread over the period in which the vesting conditions are fulfilled ending on the relevant vesting date. The cumulative amount recognised as an expense reflects the extent to which the vesting period has expired, adjusted for the estimated number of shares and options that are ultimately expected to vest. The periodic charge or credit is 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.

Own shares

Own shares consist of treasury shares and shares held within an employee benefit trust. The group had an employee benefit trust to satisfy the exercise of share options that vested under the group's share option schemes.

Own shares are recognised at cost as a deduction from shareholders' equity. Subsequent consideration received for the sale of such shares is also recognised in equity, with any difference between the sale proceeds from the original cost being taken to retained earnings. No gain or loss is recognised in the performance statements on transactions in own shares.

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.

Pub Company

Food and drink

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

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

Other services

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

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

Pub Partners

Drink/product sales

The group supplies tenants with a variety of products recognising the sale upon delivery to the pub. At this point the tenant is solely responsible for stock management and no refunds are given for out of stock 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 based on the contractual terms of the lease agreement. As the obligation is satisfied over time, no allocation to purchase price is proposed to reflect standalone prices, net of discount.

Machine income

Machine income is recognised 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 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. The accrued value at the reporting date is included within other receivables.

Government Assistance

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 only been applied to the Job Retention Scheme 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 and tax deferrals.

Leases

Policy applicable before 29 April 2019

Operating leases

Leases where the lessor retains substantially all the risks and benefits of ownership are classified as operating leases. Lease payments are recognised as an expense in the income statement on a straight-line basis over the period of the lease.

Lease premiums paid on entering into or acquiring operating leases represent prepaid lease payments and are held on the balance sheet as current (the portion relating to the next financial period) or non-current prepayments. These are amortised on a straight-line basis over the lease term.

The fair values attached to operating leasehold interests on acquisitions are deemed to represent lease premiums, and are carried as intangible assets, and amortised over the period of the lease.

Off-market contract liabilities

Off-market contract liabilities are recognised where contracts are at unfavourable terms relative to current market terms on acquisition. For leases where the current rentals are below market terms, the related asset is considered to be recognised as an operating lease in intangible assets. For other acquired pubs an off-market liability has been calculated as the difference between the present value of future contracted rentals and the present value of future market rate rentals.

The off-market contract liability is increased by the unwinding of the discount at acquisition (using the effective rate applied in measuring the off- market contract liabilities at the date of acquisition) and decreased by utilisation which is unwound against rental expense in the income statement so that the income statement charge reflects current market terms.

Finance Leases

Leases of property, plant and equipment, where the group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are recognised at acquisition at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The asset is then depreciated over the shorter of the estimated useful life of the asset or the lease term. A corresponding liability is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between the finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs.

Policy applicable from 29 April 2019

For any new contracts entered into on or after 29 April 2019, 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 three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or inexplicitly 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 assess 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 lease modifications that are not accounted as a separate lease and which do not reduce the scope of the lease, the lease liability is remeasured using a revised discount rate and a corresponding adjustment is made to the right of use asset. Where there is a change in future lease payments due to a market rent review, the lease liability is remeasured using an unchanged discount rate, with a corresponding adjustment to the right of use 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.

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.

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

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 associated to the closure of pubs during the outbreak period or preparing sites for re-opening.

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 and onerous leases. The group may incur costs and recognise liabilities in respect of leasehold properties where the terms of the lease make them onerous or 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;
- significant credits to the income statement resulting from the reversal of share-based payment charges recognised in prior year's performance following the reassessment of expected scheme;
- 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:

Pub Company: Managed pubs and restaurants

Pub Partners: 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.

2020	Pub Company £m	Pub Partners £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 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	(154.0)	(13.7)	(88.4)	(247.8)	(503.9)
Unallocated liabilities[3]	–	–	–	–	(3,388.1)
Total liabilities	(154.0)	(13.7)	(88.4)	(247.8)	(3,892.0)
Net assets	4,176.9	866.7	83.7	(187.9)	1,629.1
Other segment information:					
Capital expenditure	131.1	21.4	26.0	6.0	184.5
Depreciation and amortisation	(128.7)	(13.1)	(8.4)	(8.6)	(158.8)

2019	Pub Company £m	Pub Partners £m	Brewing & Brands £m	Corporate £m	Total operations £m
Revenue	1,799.2	190.1	227.6	–	2,216.9
Analysed as follows:					
Goods					
– Drink	1,000.6	130.5	227.6	–	1,358.7
– Food	720.8	–	–	–	720.8
	1,721.4	130.5	227.6	–	2,079.5
Services					
– Other services[1]	77.8	59.6	–	–	137.4
	77.8	59.6	–	–	137.4
EBITDA[2]	**365.8**	**97.2**	**33.2**	**(14.2)**	**482.0**
Segment operating profit	**272.9**	**87.1**	**27.4**	**(19.2)**	**368.2**
Exceptional and non–underlying operating items					(53.5)
Net finance costs					(141.9)
Income tax charge[4]					(53.8)
Net profit for the period					**119.0**
Balance sheet					
Segment assets	3,643.1	863.9	395.5	53.7	4,956.2
Unallocated assets[3]					217.7
Total assets	3,643.1	863.9	395.5	53.7	5,173.9
Segment liabilities	(382.0)	(44.6)	(94.0)	(156.3)	(676.9)
Unallocated liabilities[3]	–	–	–	–	(2,415.2)
Total liabilities	(382.0)	(44.6)	(94.0)	(156.3)	(3,092.1)
Net assets	**3,261.1**	**819.3**	**301.5**	**(102.6)**	**2,081.8**
Other segment information:					
Capital expenditure	123.9	18.9	7.9	5.0	155.7
Depreciation and amortisation	(92.9)	(10.1)	(5.8)	(5.0)	(113.8)

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. Exceptional and non-underlying tax has been restated.

Revenue from services includes rent receivable from licensed properties of £45.8m (2019: £53.2m).

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):

	2020			2019		
	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
Cost of products sold recognised as an expense	**663.0**	**–**	**663.0**	769.8	–	769.8
Employment costs (Net of furlough income) (note 6)	**535.9**	**4.9**	**540.8**	581.9	4.0	585.9
Depreciation of property, plant and equipment (note 13)	**107.5**	**–**	**107.5**	105.6	–	105.6
Depreciation of Right-of-Use assets (note 21)	**50.4**	**–**	**50.4**	–	–	–
Amortisation (note 12)	**0.9**	**–**	**0.9**	8.2	–	8.2
Operating lease rentals:						
– Net lease income (2019: Net lease expense) (note 21)	**(1.9)**	**–**	**(1.9)**	69.1	–	69.1
Other operating charges	**310.1**	**331.8**	**641.9**	314.1	66.5	380.6
Net profit on disposal (note 5)	**–**	**(6.0)**	**(6.0)**	–	(17.0)	(17.0)
	1,665.9	**330.7**	**1,996.6**	1,848.7	53.5	1,902.2

Fees earned by the auditor during the year consisted of:

	2020 £m	2019 £m
Audit of the consolidated financial statements	**0.6**	0.5
Audit of subsidiaries	**0.2**	0.1
Non-audit services – other assurance	**0.1**	0.1
Included in other operating charges	**0.9**	0.7

5 EXCEPTIONAL AND NON-UNDERLYING ITEMS

	2020			2019		
	Exceptional items £m	**Non-underlying items £m**	**Total £m**	**Exceptional Items (restated) £m**	Non-underlying items (restated) £m	Total (restated) £m
Included in operating profit						
Acquisition and Integration costs	**(23.9)**	**(4.6)**	**(28.5)**	–	–	–
Employee costs and other legal and professional fees	**–**	**(6.5)**	**(6.5)**	–	(6.6)	(6.6)
COVID-19 related charges	**(45.0)**	**–**	**(45.0)**	–	–	–
Net impairment of property, plant and equipment, Right-of-Use asset and intangible assets (notes 12, 13 and 21)	**(284.7)**	**–**	**(284.7)**	(56.7)	–	(56.7)
Insurance proceeds	**–**	**1.9**	**1.9**	–	0.6	0.6
Net (decrease)/ increase in provisions (note 23)	**26.0**	**0.1**	**26.1**	–	(4.4)	(4.4)
Net profit on disposal of property, plant and equipment and goodwill	**–**	**6.0**	**6.0**	–	17.0	17.0
Defined benefit obligations	**–**	**–**	**–**	(4.9)	1.5	(3.4)
	(327.6)	**(3.1)**	**(330.7)**	(61.6)	8.1	(53.5)
Included in financing costs						
Loss on settlement of financial liabilities	**(2.5)**	**–**	**(2.5)**	(4.1)	–	(4.1)
Amounts recycled from hedging reserve in respect of settled interest rate liabilities	**(22.7)**	**(9.4)**	**(32.1)**	–	(10.7)	(10.7)
Fair value movements of derivatives held at fair value through profit and loss	**(15.3)**	**–**	**(15.3)**	(5.4)	**–**	(5.4)
Interest in respect of uncertain tax positions	**–**	**–**	**–**	(0.4)	–	(0.4)
	(40.5)	**(9.4)**	**(49.9)**	(9.9)	(10.7)	(20.6)
Total exceptional and non-underlying items before tax	**(368.1)**	**(12.5)**	**(380.6)**	(71.5)	(2.6)	(74.1)
Tax impact of exceptional items[1]	**3.6**	**–**	**3.6**	2.1	–	2.1
Tax impact of uncertain tax positions	**–**	**–**	**–**	(4.1)	–	(4.1)
Tax impact of non-underlying items	**–**	**(1.2)**	**(1.2)**	–	5.5	5.5
Tax charge in respect of rate change	**–**	**(3.9)**	**(3.9)**	–	(0.9)	(0.9)
Adjustment in respect of prior periods	**1.0**	**(1.8)**	**(0.8)**	(11.5)	2.3	(9.2)
Total exceptional and non-underlying tax	**4.6**	**(6.9)**	**(2.3)**	(13.5)	6.9	(6.6)
Total exceptional and non-underlying items after tax	**(363.5)**	**(19.4)**	**(382.9)**	(85.0)	4.3	(80.7)

1. Tax impact of exceptional items has been restated, see note 1 for further details.

Exceptional operating costs

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

The group has recognised a charge of £45.0m as a result of the COVID-19 outbreak. These costs include £11.8m write off or increase in provision for obsolete stock (note 16), an increase in provisioning required for trade debtors of £17.1m and £14.6m for free trade loans (note 23) as well as other direct costs of £1.5m associated with the closure of pubs and allowing our teams to be able to work from home.

During the period to 26 April 2020 the group has recognised a net impairment loss of £284.7m (2019: £56.7m), comprising £194.3m (2019: £nil) in relation to goodwill, £89.7m (2019: £56.7m) in relation to property, plant & equipment and Right-of-Use asset and £0.7m (2019: £nil) in relation to brand intangible assets.

A goodwill impairment charge of £194.3m has been 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 £105.3m (2019: £90.1m) offset by a reversal of previously recognised impairment losses of £15.6m (2019: £35.1m). Of the £89.7m net impairment charge, £65.3m was recognised in respect of a small number of pubs and is driven by changes in the local competitive and trading environment at the respective sites. A further £2.0m has been recognised due to a decision taken to exit some sites during the financial year, £1.5m (2019: £0.2m) in respect of properties damaged by fire, and nil (2019: £0.6m) for decontamination of a toxic nerve agent at the Salisbury Mill pub. Finally, a further charge of £20.9m has been recognised due to the outbreak of COVID-19 and the subsequent decision by the UK government to close all UK pubs from 20 March 2020.

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. The lead litigation of this dispute is Rank Group plc. On 15 April 2020 the Upper Tribunal ruled strongly in their favour, which followed an equally strong ruling at the First Tier Tribunal. Given the strength of the ruling and the advice provided by external advisors, the group considers the repayment of the £18.0m VAT and associated accrued interest of £8.0m to no longer be probable and therefore the provision has been released.

On 26 October 2018, the High Court issued a judgment in a claim involving Lloyds Banking Group's defined benefit pension schemes. This judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. In the prior year the group worked with the trustees of the schemes and independent actuaries and estimated the cost of equalising benefits at £4.9m. This cost was recognised as an exceptional item in the prior year. Management are continuing to work with the trustees to determine the exact impact and any subsequent changes to this amount in future periods will be treated as a change in actuarial assumption, and as such will be recognised in other comprehensive income.

Non-underlying operating costs

Following acquisition by CK Asset Holdings Limited a number of incremental costs have been incurred by the group. Legal and professional fees totalling £0.6m to support the integration, a share-based payment charge of £1.6m to align to agreed pay-out levels as set by the deal, and £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 £6.5m of employee costs, restructuring charges and other legal and professional fees. This included £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 just prior to the end of the financial year. A further £2.8m (2019: £0.4m) of non-underlying legal and professional fees have been incurred in relation to group refinancing activities and defending uncertain tax positions. During the prior period the group incurred £6.2m of non-underlying employee related costs, which included one off additional defined contribution pensions payments as well as a material restructuring costs associated with changes to management.

In the year the group received insurance compensation of £1.9m (2019: £0.6m) to meet the costs of restoring sites damaged by fire, flood or external contamination in a previous year.

A credit of £0.2m (2019: £4.4m charge) has been incurred to decrease the property lease provisions relating to dilapidations and onerous lease contracts. From 29 April 2019, onerous lease provisions were transferred to the Right-of-Use assets following the adoption of IFRS 16.

The net profit on disposal of property, plant and equipment and goodwill of £6.0m (2019: £17.0m) comprises a total profit on disposal of £25.6m (2019: £42.0m) and a total loss on disposal of £19.6m (2019: £25.0m).

The pension and post-employment liabilities settlement gain in the prior year relates to a past service credit, net of fees of £1.5m, recognised for the Greene King Pension scheme as a result of a Pension Increase Exchange exercise. Members who chose to take up their offers will receive no future increases to their pre-1997 pension in payment (excluding GMP pensions), in exchange for an immediate one-off increase in their current pension.

Exceptional finance costs

During the period to 26 April 2020 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 has recognized 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.

During the prior period the group settled financial liabilities in relation to the Spirit secured financing vehicle, recognising a net loss of £4.1m. In June 2018 £62.3m (30%) of the Spirit A4 secured bond was repaid and in September 2018 a further £51.9m (25%) of the Spirit A4 secured bond was repaid. In December 2018 the group, in an open-market transaction, purchased and subsequently cancelled £61.8m (39%) of the Spirit A5 secured bond. Exceptional gains or losses recognised in respect of these transactions amounted to the difference between the carrying value of the repaid or cancelled bonds (comprising the nominal value and a fair value premium) and the settlement amount paid (comprising the sum of the nominal value and a prepayment penalty in the case of the A4 bonds, and the clean purchase price paid in the case of the A5 bonds).

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 have been recycled from the hedging reserve to the income statement in full and an exceptional loss of £16.6m has been 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 has been 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 (2019: loss of £5.4m) relates to the 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 £9.4m (2019: £10.7m) has been recognised in respect of this during the year.

Exceptional tax

An exceptional tax credit of £8.6m is in respect of the exceptional COVID-19 related charges.

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

There is an exceptional tax charge of £4.1m in respect of the release of provision for VAT and associated interest.

There is 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 has also been recognised in respect of fair value movements of derivatives.

There is an exceptional tax credit of £11.7m relating to movements on the licensed estate. This is as a result of exceptional accounting adjustments, such as the impairment charge, and other exceptional movements in the tax base.

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

There is 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.

On 29 March 2019, HMRC issued a closure notice regarding the single remaining corporation tax enquiry relating to tax deductions claimed on capitalised revenue expenditure. The closure notice was appealed and discussions with HMRC are ongoing. The group has continued to recognise the £4.1m exceptional tax creditor and associated interest in the period given the increased likelihood of exposure following receipt of the closure notice. This resulted in no cash tax impact for the year ended 26 April 2020.

The adjustment in respect of prior years' tax arises from finalising the tax returns for earlier periods

Non-underlying tax

A non-underlying charge of £4.2m is in respect of the non-underlying movements on the deferred tax on the licensed estate.

There is a non-underlying tax credit of £1.3m in respect of the integration costs and other legal and professional fees incurred.

There is a non-underlying tax credit of £1.7m for the deductions allowed on the recycled losses from the hedging reserve.

The non-underlying tax charge in respect of rate change is 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.

The adjustment in respect of prior years' tax arises from finalising the tax returns for earlier periods.

6 EMPLOYMENT COSTS

Employment costs (Including Directors) comprise:

	2020 Total £m	2019 Total £m
Wages and Salaries (Net of furlough income)	**492.5**	538.2
Other share-based payments (note 8)	**2.8**	2.0
Total wages and salaries	**495.3**	540.2
Social security costs	**34.8**	36.7
Other pension costs (note 9)		
- Defined contribution	**10.7**	9.0
	540.8	585.9

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

In 2020, wages and salaries have been shown as net due to the Government subsidies of £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	2020 £m	2019 £m
Short term employee benefits (including National Insurance contributions)	**5.2**	5.6
Post-employment pension and medical benefits	**0.5**	0.5
Termination benefits	**0.1**	–
Share-based payments	**1.3**	0.5
Included in other operating charges	**7.1**	6.6

Included within the above is emoluments, including company pension contributions received by Executive Directors of Greene King Limited of £1,5m (2019: £2.5m), and 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 fee's payable to Non-executive Directors in the year was:

Name	Position	2020 £k	2019 £k
Philip Yea	Chairman	**127.9**	250.0
Mike Coupe	Non-executive director	**25.6**	50.0
Gordon Fryett	Non-executive director	**25.6**	50.0
Rob Rowley	Non-executive director	**30.7**	60.0
Sandra Turner	Non-executive director	**25.2**	–
Lynne Weedall	Non-executive director	**30.7**	60.0
Total Non-executive director fees prior to acquisition		**265.7**	470.0

Key management personnel

Key management personnel are deemed to be those employees who are directors of Greene King Limited or its subsidiaries.

1 Director exercised share options in the year (2019: 2) and 2 directors became entitled to receive shares under the long-term incentive scheme (2019: 2). Retirement benefits are accruing to 1 director under the company's defined contribution pension scheme (2019: nil).

Highest Paid Director

	2020 £m	2019 £m
Aggregate renumeration and benefits (excluding gains on exercise of share options and value of shares received) under long-term incentive schemes	**0.8**	1.7

The average number of employees during the period was as follows:

	2020	2019
Pub Company	**36,308**	37,243
Pub Partners	**63**	63
Brewing & Brands	**799**	838
Corporate	**763**	750
	37,933	38,894

The figures above include 25,880 (2019: 25,670) part-time employees.

7 FINANCE (COSTS) / INCOME

	2020 Total £m	2019 Total (restated [1]) £m
Bank loans and overdrafts	**(6.6)**	(12.2)
Secured bonds and associated interest rate swaps, liquidity facilities and fees	**(91.7)**	(96.3)
Loans from related parties	**(4.7)**	–
Fair value movements of derivatives held at fair value through profit and loss	**(15.3)**	(5.4)
Loss on financial liabilities	**(2.5)**	(4.1)
Amounts recycled through hedging reserve in respect of settled interest rate liabilities	**(32.1)**	(10.7)
Interest in respect of tax positions	**(0.8)**	(1.3)
Unwinding of discount element of provisions and off-market contract liabilities (note 24)	**–**	(12.0)
Interest on lease liabilities (note 21)	**(43.3)**	(1.0)
Total finance costs	**(197.0)**	(143.0)
Bank interest receivable	**0.7**	0.7
Net finance income from pensions (note 9)	**0.8**	0.4
Interest income in respect of tax positions and adjustments	**0.1**	–
Total finance income	**1.6**	1.1
Net finance costs	**(195.4)**	(141.9)

1. 2019 finance costs have been restated to show finance lease interest as a comparative for lease liabilities due to the transition to IFRS 16 as at 29 April 2019

8 SHARE-BASED PAYMENT PLANS

The group 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 on 30 October 2019, these schemes vested at expected performance and have been settled in the year based on the fair value of share prices that had been accrued under each scheme and have been payable to employees and directors.

The total charge recognised for the period arising from share based payment transactions including National Insurance contributions is £2.8m (2019: £2.0m). A corresponding credit of £2.3m (2019: £2.0m) has been recognised in equity.

The fair value of the LTIP/growth LTIP issued since 2015 was considered to be equal to the share price on the date of issue. For the awards that were granted in 2020 before the acquisition by CK Asset Holdings Limited the fair value was 841p (2019: between 492p and 538p) per share option.

Future dividend payments have not been factored into the valuation as participants are entitled to dividend payments.

No other awards were issued in the year. Historically fair value of other equity-settled options were estimated using a Black-Scholes model. The fair value of the grants and model inputs used to calculate the fair values of grants during the prior year were as follows:

	2019 SAYE
Weighted average share price	610p
Exercise price	436p
Expected dividend yield	4.7%
Risk-free rate of return	0.8%
Expected volatility	28.2%
Expected life (years)	3.3
Weighted average fair value of grants in the year	152p

Risk-free rate of return is the yield on zero coupon UK government bonds with the same life as the expected option life. Expected volatility is based on historical volatility of the company's share price which assumes that the past trend in share price movement is indicative of future trends. Expected life of options has been taken as the mid-point of the relevant exercise period. This was not necessarily indicative of future exercise patterns.

No other feature of the equity instruments granted was incorporated into the fair value measurement. Movement in outstanding options and rights during the year are as follows:

	Number of options		Weighted average exercise price	
SAYE	**2020 m**	2019 m	**2020 p**	2019 P
Outstanding at the beginning of the year	**2.9**	3.0	**484**	529
Granted	**–**	1.2	**–**	436
Forfeited	**(1.4)**	(1.3)	**467**	542
Exercised	**(1.5)**	–	**501**	519
Outstanding at the end of the year	**–**	2.9	**–**	484
Exercisable at the end of the year	**–**	0.2	**–**	694

	Number of shares	
LTIP	**2020 m**	2019 m
Outstanding at the beginning of the year	**2.5**	2.3
Granted	**0.8**	1.2
Forfeited	**(0.9)**	(1.0)
Lapsed	**(0.8)**	
Vested	**(1.6)**	–
Outstanding at the end of the year	**–**	2.5
Exercisable at the end of the year	**–**	–

The options and shares granted under the LTIP were at nil cost; therefore, the weighted average exercise price for rights outstanding at the beginning and end of the year, and granted, forfeited and exercised during the year was £nil (2019: £nil).

SAYE and LTIP

Options were exercised on a range of dates. The weighted average share price through the period was 778p in 2020 and 556p in 2019.

There was no outstanding option for the LTIP scheme as at the year end. In the previous year, the outstanding options had an exercise price of £nil (2019: £nil) and a weighted average remaining contractual life of nil years (2019: 1.6 years).

There was no outstanding option for the SAYE scheme as at the year end. In the previous year, the outstanding options had an exercise price of between 436p and 726p and the weighted average remaining contractual life was 3.3 years.

9 PENSIONS

Defined contribution pension schemes

The group maintains three defined contribution schemes, which are open to all new employees.

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 £10.7m (2019: £9.0m).

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 accrual on 30 September 2012. The group's contributions over the year was £4.6m (2019: £3.3m).

An actuarial valuation was carried out for IAS 19 purposes as at 26 April 2020 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 accrual on 6 April 2005. The group's contributions over the year was £nil (2019: £nil).

An actuarial valuation was carried out for IAS 19 purposes as at 26 April 2020 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.

Net interest on net defined liability:

	Pension schemes					
	2020			2019		
	Greene King	**Spirit**	**Total**	Greene King	Spirit	Total
	£m	**£m**	**£m**	£m	£m	£m
Interest on pension scheme assets	**8.9**	**12.3**	**21.2**	10.0	13.5	23.5
Interest on scheme liabilities	**(8.9)**	**(11.5)**	**(20.4)**	(9.9)	(13.2)	(23.1)
Net interest on net defined benefit asset	**–**	**0.8**	**0.8**	0.1	0.3	0.4

The values of the schemes' liabilities have been determined by a qualified actuary based on the results of the last actuarial valuation, updated to 26 April 2020 using the following principal actuarial assumptions:

	2020		2019	
	Greene King	**Spirit**	Greene King	Spirit
Discount rate	**1.7%**	**1.7%**	2.5%	2.5%
Expected pension payment increases	**2.5%**	**2.5%**	3.1%	3.1%
Rate of inflation (RPI)	**2.5%**	**2.5%**	3.3%	3.3%
Rate of inflation (CPI)	**1.7%**	**1.7%**	2.2%	2.2%

The mortality assumptions imply the following expectations of years of life from age 65:

Man currently aged 40	**23.3**	**23.3**	23.2	23.2
Woman currently aged 40	**25.5**	**25.5**	25.3	25.3
Man currently aged 65	**21.6**	**21.6**	21.5	21.5
Woman currently aged 65	**23.5**	**23.5**	23.4	23.4

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:

	2020			2019		
	Greene King £m	**Spirit £m**	**Total £m**	Greene King £m	Spirit £m	Total £m
Investment quoted in active markets						
Equities	**97.6**	**110.6**	**208.2**	217.2	114.0	331.2
Bonds	**269.7**	**358.8**	**628.5**	129.8	310.2	440.0
Unquoted investments						
Property	**–**	**36.9**	**36.9**	–	37.1	37.1
Annuities insurance contracts	**4.2**	**40.4**	**44.6**	4.1	41.1	45.2
Cash	**4.3**	**0.6**	**4.9**	10.7	1.2	11.9
Total fair value of assets	**375.8**	**547.3**	**923.1**	361.8	503.6	865.4
Present value of scheme liabilities:						
Funded plans	**(374.7)**	**(496.6)**	**(871.3)**	(363.1)	(471.2)	(834.3)
Non-current (liability)/asset recognised	**1.1**	**50.7**	**51.8**	(1.3)	32.4	31.1

£282.3m (2019: £217.5m) 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 29 April 2018	**367.3**	**491.9**	**(365.8)**	**(479.8)**	**13.6**
Pension interest income/(costs) recognised in the income statement	10.0	13.5	(9.9)	(13.2)	0.4
Benefits paid	(26.4)	(22.0)	26.4	22.0	–
Past Service cost	–	–	(0.4)	(2.8)	(3.2)
Remeasurement gains/(losses) in other comprehensive income:					
Return on plan assets (excluding amounts included in net interest expenses)	7.6	20.2	–	–	27.8
Actuarial changes arising from changes in demographic assumptions	–	–	8.5	3.6	12.1
Actuarial changes arising from changes in financial assumptions	–	–	(25.5)	(22.5)	(48.0)
Experience adjustments	–	–	3.6	21.5	25.1
Contributions paid	3.3	–	–	–	3.3
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**

Presented in the balance sheet as follows:

	2020 £m	2019 £m
Post-employment assets	**51.8**	32.4
Post-employment liabilities	**–**	(1.3)
	51.8	31.1

The past service cost for the Greene King scheme comprises a cost of £nil (2019: £2.1m) for GMP equalisation following the High Court judgement on this issue in relation to the Lloyds Banking Group's defined benefit pension schemes, and an offsetting credit of £nil (2019: £1.7m) relating to a Pension Increase Exchange exercise performed over the year. The past service cost for the Spirit scheme is in relation to GMP equalisation.

	Decrease/(increase) in liability	
	2020 £m	2019 £m
0.25% points increase in discount rate	**35.8**	34.0
0.25% points increase in inflation assumption	**(29.2)**	(27.8)
Additional one-year increase to life expectancy	**(36.7)**	(35.2)

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

	2020 £m	2019 £m
Within 1 year	**4.5**	3.3
Between 2 and 5 years	**7.5**	13.3
Between 5 and 10 years	**–**	3.0
	12.0	19.6

The average duration of the defined benefit scheme's obligations at the end of the reporting year is 16–17 years (2019: 16–17 years).

10 TAXATION

Consolidated income statement	2020 Total £m	2019 Total £m
Income tax		
Corporation tax before exceptional and non-underlying items	**20.0**	41.9
Payable/(Recoverable) on exceptional and non-underlying items	**5.8**	(5.0)
Current income tax	**25.8**	36.9
Adjustment in respect of prior periods	**1.7**	7.5
	27.5	44.4
Deferred tax		
Origination and reversal of temporary differences	**(7.7)**	6.8
Adjustment in respect of prior periods	**(0.9)**	1.7
Tax charge in respect of rate change	**3.9**	0.9
	(4.7)	9.4
Tax charge in the income statement	**22.8**	53.8

Group statement of comprehensive income	2020 £m	2019 £m
Deferred tax		
Remeasurement gains on defined benefit pension schemes	**3.3**	2.9
Net loss on revaluation on cash flow hedges	**(3.8)**	(0.6)
Total tax	**(0.5)**	2.3
Income Tax		
Current Tax on defined benefit pension schemes	**(0.4)**	–
	(0.9)	2.3

Group statement of changes in equity	2020 £m	2019 £m
Deferred tax		
Share-based payment – future taxable benefit	**0.4**	0.3
Deferred tax reported in equity	**0.4**	0.3
Income tax		
Share-based payments – current taxable benefit	**(1.0)**	–
Total tax reported in equity	**(0.6)**	0.3

Reconciliation of income tax expense for the year	2020 £m	2019 (restated) £m
The effective rate of taxation is higher (2019: higher) than the full rate of corporation tax. The differences are explained below:		
(Loss)/profit before tax	**(273.0)**	172.8
Profit before tax multiplied by standard rate corporation tax of 19.0% (2019: 19.0%)	**(51.9)**	32.8
Adjusted for the effects of:		
Recurring items:		
Expenditure not allowable for tax purposes	**3.7**	0.8
Impact of non-deductible interest	**18.4**	–
Non-deductible impairment on goodwill	**36.9**	–
Current tax – uncertain tax provision	**–**	4.1
Impact of deferred tax in respect of licensed estate	**5.8**	7.6
Impact of deferred tax being at different rate to income tax	**–**	(0.6)
Impact of change in tax rate on deferred tax balances	**3.9**	1.5
Recognition/(Derecognition) of deterred tax in respect of interest restrictions	**5.2**	(1.6)
Adjustment in respect of prior years – income tax	**1.7**	7.5
Adjustment in respect of prior years – deferred tax	**(0.9)**	1.7
Income tax expense reported in the income statement	**22.8**	53.8

Income tax payable

The group's current tax position of £5.6m (FY19:£13.2m) reflects the amount of tax payable on open tax computations. It includes the expected liabilities in respect of uncertain tax positions of £4.1m (2019: £4.1m) which was recognised in the income statement in the 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.

In the current year, the adjustment in respect of the Corporate Interest Restriction rules of £18.4m has been treated as a permanent difference. This is because following the acquisition by CK Asset Holdings Limited the group does not expect disallowed amounts in respect of the corporate interest restriction to be utilised in future. In addition the brought forward deferred tax asset in respect of corporate interest restrictions from the prior year has been de-recognised. In the current year tax, interest disallowances increased significantly due to the swap settlements in addition to lower than normal EBITDA, as a result of the closure of pubs forced by the government in response to COVID-19.

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	Other Temporary differences (restated) £m	Trading losses carried forward £m	Total (restated) £m
At 29 April 2018	53.4	–	48.6	0.1	3.9	14.5	1.0	121.5
Credit/(charge) to equity/comprehensive income	–	–	0.6	(0.3)	–	–	–	0.3
Credit/(charge) to the income statement	(3.5)	–	(5.1)	0.3	(1.7)	(4.0)	(0.7)	(14.7)
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 from deferred tax liabilities	–	(0.2)	–	–	–	–	–	(0.2)
At 26 April 2020	**55.7**	**11.8**	**37.1**	**–**	**–**	**15.2**	**0.3**	**120.1**

Deferred tax liabilities	IFRS 16 £m	Post-employment assets £m	Accelerated capital allowances (restated[1]) £m	Operating lease intangibles £m	Unrealised Gains (restated[1]) £m	Total (restated[1]) £m
At 29 April 2018	–	(2.2)	(15.9)	(19.3)	(88.7)	(126.1)
Credit/(charge) to the income statement	–	(0.1)	(3.0)	2.0	6.4	5.3
Credit/(charge) to equity/comprehensive income	–	(2.9)	–	–	–	(2.9)
At 28 April 2019	–	(5.2)	(18.9)	(17.3)	(82.3)	(123.7)
Reclassed to IFRS 16	(15.4)	–	0.3	17.3	–	2.2
Restated under IFRS16 as at 29 April 2019	15.2	–	–	–	–	15.2
As at 29 April 2019	(0.2)	(5.2)	(18.6)	–	(82.3)	(106.3)
Credit/(charge) to the income statement	–	(1.2)	4.6	–	(10.7)	(7.3)
Credit/(charge) to equity/comprehensive income	–	(3.3)	–	–	–	(3.3)
Transfer to deferred tax assets	0.2	–	–	–	–	0.2
At 26 April 2020	**–**	**(9.7)**	**(14.0)**	**–**	**(93.0)**	**(116.7)**

1. For details of the restatement, see note 1.

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.

There is an unrecognised deferred tax asset of £3.4m (FY19: nil) in respect of derivatives. Of these, the remainder of the deferred tax asset on derivatives has been recognised under IAS 12.29. Forecasts have been prepared showing that the remaining tax deductions arising on the derivatives are expected to be allowed under the Corporate Interest Restriction rules.

No deferred tax asset has been recognised under the Corporate Interest Restriction rules for historic disallowances totalling £134.6m (2019: £37.6m) as the group does not expect these to unwind.

	26 April 2020 £m	28 April 2019 (restated) £m
Deferred tax liability	**–**	(16.6)
Deferred tax asset	**3.4**	–
Net deferred tax asset	**3.4**	(16.6)

At 26 April 2020, the group had unused trading losses of £1.4m (2019 : £1.5m) and unused capital losses of £770.7m (2019: £767.1m). A deferred tax asset of £0.3m (2019: £0.3m) has been recognised in respect of trading losses and a deferred tax asset of £55.7m (2019: £49.9m) 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.

Factors that may affect future tax charges

The planned reduction in the rate of corporation tax from 19% to 17% was reversed by order of a "Ways and means" motion on 17 March 2020, such motions having statutory effect under the Provisional Collection of Taxes Act 1968. Therefore, the enacted rate at the balance sheet date remains at 19% and is therefore included in these accounts.

The net deferred tax asset has been calculated using the rates at which each temporary difference is expected to reverse.

The Finance Bill 2020 includes legislation restricting the amount of chargeable gains that a company can relieve with its carried forward capital losses from previous accounting periods. Broadly, a company will only be able to offset up to 50 per cent of chargeable gains using carried forward capital losses. There is no such restriction under current tax law. The proposed new legislation was not substantively enacted at the balance sheet date, so its effect is not reflected in the financial statements.

The Group's carried forward capital losses are recognised to the maximum permitted under tax law as at 26 April 2020. It is expected that the proposed changes will result in a partial de-recognition of the deferred tax asset recognised on capital losses in a future reporting period.

11 DIVIDENDS PAID AND PROPOSED

	2020 £m	2019 £m
Declared and paid in the period		
Dividend for 2020: 8.65p (2019: 8.8p)	**27.0**	27.3
Final dividend for 2019: 24.4p (2018: 24.4p)	**75.6**	75.6
	102.6	102.9

12 GOODWILL AND OTHER INTANGIBLE ASSETS

	Brand intangibles £m	Operating lease intangibles £m	Total other intangibles £m	Goodwill £m
Cost				
At 29 April 2018	16.1	140.5	156.6	1,115.5
Disposal	–	(3.1)	(3.1)	(10.8)
At 28 April 2019	16.1	137.4	153.5	1,104.7
Adjustment for transition to IFRS 16 (note 1)	–	(137.4)	(137.4)	–
Adjusted at 29 April	16.1	–	16.1	1,104.7
Disposal	–	–	–	(4.2)
At 26 April 2020	**16.1**	**–**	**16.1**	**1,100.5**
Impairment and amortisation				
At 29 April 2018	4.8	27.1	31.9	–
Amortisation	0.9	7.3	8.2	–
Impairment (note 5)	–	1.7	1.7	–
Disposal	–	(0.5)	(0.5)	–
At 28 April 2019	5.7	35.6	41.3	–
Adjustment for transition to IFRS 16 (note 1)	–	(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
Disposal	–	–	–	–
At 26 April 2020	**7.3**	**–**	**7.3**	**194.3**
Net book value				
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
At 29 April 2018	11.3	113.4	124.7	1,115.5

Due to the transition to IFRS 16, the operating lease intangibles have been recognised as part of the initial measurement of the Right-of-Use Asset, see basis of preparation for further details. In previous years, operating lease intangibles were amortised on a straight-line basis over the length of the lease. The recoverable amount for assets impaired was based on a combination of values in use or fair value less cost of disposal.

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. The recoverable amount for assets impaired were 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:

	2020 **£m**	2019 £m
Pub Company	**686.7**	687.9
Pub Partners	**178.9**	181.9
Brewing & Brands	**40.6**	234.9
	906.2	1,104.7

Goodwill disposed of in the year

	2020 **£m**	2019 £m
Pub Company	**1.2**	4.4
Pub Partners	**3.0**	6.4
	4.2	10.8

Goodwill impairment testing

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

The key assumptions used in the value-in-use calculations are budgeted EBITDA, the pre-tax discount rate and the growth rate used to extrapolate cash flows beyond the budgeted period.

Budgeted EBITDA is based on the group's latest three-year strategic plan, and Year 3 EBITDA has been extrapolated using assumed growth rates of 1.20% in Pub Company, 1.80% in Pub Partners and -3.0% in Brewing & Brands. The growth rate is below the long-term average growth rate for the operating segments and reflects anticipated trends in future trading performance. In addition, management has incorporated the impact of COVID-19 through adjusting expected trading performance for the extended period of closure of pubs during the crisis in year 1of this assessment period.

Cash flows are discounted at 7.50% which is used as an approximation for the risk-adjusted discount rate of the relevant operating segment. The discount rate has been based on external valuations and has been adjusted to reflect the new accounting treatment of leases following the adoption of IFRS 16. 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.

Through applying the above assumptions, an impairment charge of £194.3m has been recognised 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 budgeted cash flow, pre-tax discount rate, and growth rate. Management considers that reasonable possible changes in assumptions would be an increase in pre-tax discount rate of 1% point or a reduction in growth rate of 1% point, a reduction budgeted cash flows by 10% or a reduction in the long-term growth rate by 50%.

None of these sensitivities would result in an impairment of goodwill in Pub Company or Pub Partners.

For Brewing & Brands these sensitivities would have the following incremental impact on goodwill impairment:

- A 50% increase in growth rate (i.e. the long-term growth rate would be -4.5%) - £18.0m
- A pre-tax discount rate increase by 1% - £11.0m
- A 10% decline in budgeted cashflows - £8.4m

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 29 April 2018	3,316.2	972.7	71.4	141.5	4,501.8
Additions during year	42.5	84.6	14.2	14.4	155.7
Transfer to property, plant and equipment held for sale	(11.5)	(2.0)	–	–	(13.5)
Disposals during year	(45.4)	(12.8)	(2.6)	(0.1)	(60.9)
At 28 April 2019	3,301.8	1,042.5	83.0	155.8	4,583.1
Adjustment for transition to IFRS 16 (note 1)	(2.6)	–	–	–	(2.6)
Adjusted at 29 April 2019	3,299.2	1,042.5	83.0	155.8	4,580.5
Additions during year	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 during year	(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**
Depreciation and impairment					
At 29 April 2018	226.9	566.8	17.6	101.3	912.6
Provided during the year	13.8	80.9	2.7	8.2	105.6
Written back on disposals	(11.7)	(8.0)	(0.3)	–	(20.0)
Impairment (see below)	75.5	13.2	1.4	–	90.1
Impairment reversal (see below)	(30.2)	(4.2)	(0.6)	(0.1)	(35.1)
Transfer to property, plant and equipment held for sale	(5.5)	(1.6)	–	–	(7.1)
At 28 April 2019	268.8	647.1	20.8	109.4	1,046.1
Adjustment for transition to IFRS 16 (note 1)	(0.1)	–	–	–	(0.1)
Adjusted at 29 April 2019	268.7	647.1	20.8	109.4	1,046.0
Provided during the year	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**
Net book value					
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
At 29 April 2018	3,089.3	405.9	53.8	40.2	3,589.2

Due to the transition to IFRS 16, properties held under finance leases have been recognised as part of the initial measurement of the Right-of-Use Asset, see basis of preparation for further details.

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:

	2020 £m	2019 £m
Freehold properties	**2,860.6**	2,933.7
Leasehold properties >50 years unexpired term	**94.5**	106.0
Leasehold properties <50 years unexpired term	**58.4**	55.5
	3,013.5	3,095.2

Review of property, plant and equipment

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 land and buildings are properties with a group net book value of £1,965.1m (2019: £2,023.3m) and £475.3m (2019: £786.6m) 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

	2020 £m	2019 £m
Contracted for	**7.8**	10.0

Impairment of property, plant and equipment

During the period to 26 April 2020 the group has recognised a net impairment loss of £66.7m (2019: £55.0m). This is comprised of an impairment charge of £82.3m (2019: £90.1m) and reversal of previously recognised impairment losses of £15.6m (2019: £35.1m). 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:

	2020			2019		
	Impairment £m	**Reversal of impairment £m**	**Net impairment £m**	Impairment £m	Reversal of impairment £m	Net impairment £m
Pub Company	**68.9**	**(10.9)**	**58.0**	73.6	(27.0)	46.6
Pub Partners	**12.2**	**(3.7)**	**8.5**	14.9	(8.1)	6.8
Corporate	**1.2**	**(1.0)**	**0.2**	1.6	–	1.6
	82.3	**(15.6)**	**66.7**	90.1	(35.1)	55.0

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 expected cash flow projections for the next year, the discount rate applied to those cash flows of 7.50% and the projected cash flows extrapolated using an average growth rate of 1.20% in Pub Company and 1.80% in Pub Partners which are below the long-term average growth rate for the operating segments 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 medium-term trading prospects.

Estimates of fair value less costs of disposal are based on both internal and external valuations, with the latest external valuation being performed in April 2020. 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 challenges the outbreak of COVID-19 has resulted in an unpreceded set of circumstances on which to form this judgement.

For a sample of sites where the group has obtained an external valuation as at the year-end date, the valuer has 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 our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market".

For all sites not valued at year end, roll forward valuation exercises were conducted by third party valuers which confirmed there were no material movement in valuation on a portfolio basis since the previous valuation date.

The COVID-19 discount has been calculated based on a number of assumptions to determine the reduction in cash flows on the entire estate. The assumptions include an estimated length of closure and expected costs to be incurred during this period. These assumptions have been applied on a portfolio basis across our different customer propositions.

The impairment charge recognised in relation to a small number of pubs was driven by changes in the local competitive and trading environment at their respective sites, and decisions taken to exit some sites where current market values are lower than book values.

The impairment reversals have been recognised following an improvement in trading performance and an increase in amounts of estimated future cash flows for previously impaired sites.

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 would be as follows:

	A 10% reduction in fair value less cost of disposal:		**A 1% increase in discount rate:**		**A 1% reduction in growth rate:**	
	2020	2019	**2020**	2019	**2020**	2019
	£m	£m	**£m**	£m	**£m**	£m
Increased net impairment resulting from:						
Pub Company	**15.6**	12.2	**35.0**	22.0	**51.4**	22.0
Pub Partners	**1.2**	2.1	**3.9**	3.2	**4.8**	3.2
	16.8	14.3	**38.9**	25.2	**56.2**	25.2

14 FINANCIAL ASSETS

	2020 £m	2019 £m
Trade loans (net of provision)	**0.9**	9.0
Total current	**0.9**	9.0
Trade loans (net of provision)	**3.8**	13.1
Other financial assets	**0.3**	0.3
Total non-current	**4.1**	13.4

Trade loans are net of provisions of £16.5m (2019: £2.1m, 2018: £5.1m). During the year £0.5m (2019: £3.3m) of the provision was utilised and £14.9m (2019: £0.3m) of new provision created. 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 increase in provision of free trade loans as a result of COVID-19 has been recognised as an exceptional item.

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 £11.8m (2019: £13.2m) and variable rate trade loans amounted to £9.4m (2019: £10.9m). Included in fixed rate loans are £11m of loans with settlement related to purchase levels (2019: £12.5m). 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 0.1% (2019: 0.1%) and a weighted average period of 2.55 years (2019: 2.7 years). Interest rates on variable rate trade loans are linked to base rates.

	2020 £m	2019 £m
Trade loans (net of provision)		
Balance at beginning of year	**22.1**	23.4
Advances	**4.8**	5.5
Repayments	**(7.3)**	(6.5)
Provisions	**(14.9)**	(0.3)
Balance at end of year	**4.7**	22.1

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]	Property	England & Wales	Parent	Ordinary shares	100%
Greene King Retailing Parent Limited[1]	Holding company	England & Wales	Parent	Ordinary shares	100%
Morrells of Oxford Limited	In MVL	England & Wales	Parent	Ordinary shares	100%
Norman Limited[2]	Holding company	Guernsey	Parent	Ordinary shares	100%
Realpubs Limited[1]	In MVL	England & Wales	Parent	Ordinary shares	100%
Rushmere Sports Club Limited[1]	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]	Property	England & Wales	Subsidiary	Ordinary shares	100%
Ashes Investment LP[1]	Financing	England & Wales	Subsidiary	Ordinary shares	100%
Aspect Ventures Limited[1]	In MVL	England & Wales	Subsidiary	Ordinary shares	100%
AVL (Pubs) No.1 Limited[1]	In MVL	England & Wales	Subsidiary	Ordinary shares	100%
AVL (Pubs) No.2 Limited[1]	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[1]	In MVL	England & Wales	Subsidiary	Ordinary shares	100%
				Preference shares	100%
Chef & Brewer Limited[1]	In MVL	England & Wales	Subsidiary	Ordinary shares	100%
City Limits Limited [1]	In MVL	England & Wales	Subsidiary	Ordinary shares	100%
Cleveland Place Holdings Limited[1]	Holding company	England & Wales	Subsidiary	Ordinary shares	100%
Cloverleaf Restaurants Limited[1]	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[1]	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]	In MVL	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[1]	In MVL	England & Wales	Subsidiary	Ordinary shares	100%
Premium Casual Dining Limited[1]	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[1]	In MVL	England & Wales	Subsidiary	Ordinary shares	100%
Sapphire Food North West No.3 Limited[1]	In MVL	England & Wales	Subsidiary	Ordinary shares	100%
Sapphire Food South East No.4 Limited[1]	In MVL	England & Wales	Subsidiary	Ordinary shares	100%
Sapphire Food South West No.2 Limited1	Financing	England & Wales	Subsidiary	Ordinary shares	100%
Sapphire Rural Destination No.5 Limited[1]	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]	Property	England & Wales	Subsidiary	Ordinary shares	100%
Spirit (Legacy) Pension Trustee Limited[1]	Pension trustee	England & Wales	Subsidiary	Ordinary shares	100%
Spirit (PSC) Limited[1]	In MVL	England & Wales	Subsidiary	Ordinary shares	100%
Spirit (Redwood Bidco) Limited[1]	In MVL	England & Wales	Subsidiary	Ordinary shares	100%
Spirit (SGL) Limited[1]	Holding company	England & Wales	Subsidiary	Ordinary shares	100%
Spirit Acquisition Properties Limited[1]	In MVL	England & Wales	Subsidiary	Ordinary shares	100%
Spirit Acquisitions Guarantee Limited[1,5]	In MVL	England & Wales	Subsidiary	n/a	n/a
Spirit Acquisitions Holdings Limited[1]	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[1]	In MVL	England & Wales	Subsidiary	Ordinary shares	100%
Spirit Group Retail (Northampton) Limited[1]	In MVL	England & Wales	Subsidiary	Ordinary shares	100%
				Preference shares	100%
Spirit Group Retail (South) Limited[1]	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]	Pub retailing	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[1]	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[1]	In MVL	England & Wales	Subsidiary	Ordinary shares	100%
Tom Cobleigh Group Limited[1]	In MVL	England & Wales	Subsidiary	Ordinary shares	100%
Tom Cobleigh Holdings Limited[1]	In MVL	England & Wales	Subsidiary	Ordinary shares	100%
Tom Cobleigh Limited[1]	Dormant	England & Wales	Subsidiary	Ordinary shares	100%
Whitegate Taverns Limited[1]	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. Company is limited by guarantee.

Member voluntary liquidation "MVL"

16 INVENTORIES

	2020 £m	2019 £m
Raw materials and work in progress	**2.9**	4.7
Finished goods and goods for resale	**33.6**	42.0
Consumable stores	**3.3**	4.4
	39.8	51.1

Due to the outbreak of COVID-19 and the subsequent decision by the government for the closure of all UK pubs from the 21 March 2020, management has written off inventory of £11.2m. A provision of £0.6m has been recognised for further losses expected in the period of closure. (see note 5).

17 TRADE AND OTHER RECEIVABLES

	2020 **£m**	2019 £m
Trade receivables	**34.0**	68.3
Other receivables	**16.8**	21.4
Government Subsidy receivable	**30.3**	–
Amounts owed from related parties	**2.8**	–
	83.9	89.7

Trade and other receivables are non-interest bearing.

Trade receivables are shown net of a loss allowance of £23.0m (2019: £4.0m). 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 2020.

18 CASH AND CASH EQUIVALENTS

	2020 **£m**	2019 £m
Cash at bank and in hand	**11.9**	126.5
Short-term deposits	**8.5**	58.8
Cash and cash equivalents for balance sheet	**20.4**	185.3
Bank overdrafts (note 22)	**–**	(1.3)
Cash and cash equivalents for cash flow	**20.4**	184.0

Included in cash at bank and in hand and short term deposits is £3.3m (2019: £67.3m) and £4.7m (2019: £134.5m) 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

	2020 **£m**	2019 £m
Property, plant and equipment held for sale	**1.9**	6.4

At the year end, property, plant and equipment held for sale of £1.9m (2019: £6.4m) 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 (2019: £nil).

20 TRADE AND OTHER PAYABLES

	2020 £m	2019 £m
Trade payables	**100.6**	110.2
Other payables		
– Other taxation and social security costs	**44.6**	89.7
– Accruals and deferred income	**134.3**	194.7
– Interest payable	**13.0**	14.3
Total current	**292.5**	408.9
Other payables	**–**	1.7
Total non-current	**–**	1.7

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 2020 and 2019 also includes interest on uncertain tax positions.

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 28 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 £m	**Plant and Equipment £m**	**Total £m**
Cost			
At 29 April 2019 (note1)	2.6	–	**2.6**
On transition to IFRS 16 (note 1)	889.2	12.0	**901.2**
Additions during the year	11.6	14.4	**26.0**
Disposals during the year	(17.5)	(0.3)	**(17.8)**
Remeasurement	50.9	0.4	**51.3**
At 26 April 2020	936.8	26.5	**963.3**
Depreciation and impairment			
At 29 April 2019 (note 1)	0.1	–	**0.1**
Provided during the year	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**
Net book value			
At 26 April 2020	869.1	21.5	**890.6**
As at 29 April 2019	891.7	12.0	903.7

Impairment of Right-of-Use assets

During the period to 26 April 2020 the group has recognised a net impairment loss of £23.0m.

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

	Impairment
	2020
	£m
Pub company	**7.5**
Pub Partners	**0.2**
Corporate	**15.3**
	23.0

The group considers that each lease 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 expected cash flow projections for the next year, the discount rate applied to those cash flows of 7.50% and the projected cash flows extrapolated using an average growth rate of 1.20% in Pub Company and 1.80% in Pub Partners which are below the long-term average growth rate for the operating segments 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 medium-term trading prospects.

Estimates of fair value less costs of disposal are based on both internal and external valuations, with the latest external valuation being performed in April 2020. 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 challenges the outbreak of COVID-19 has resulted in an unpreceded set of circumstances on which to form this judgement.

On transition the group elected to adopt the practical expedient to utilise the onerous lease provision to reduce the right-of-use asset value rather than undertake an impairment review. As a result the impairment charge of £23.0m includes an alignment to the discount rate rather than the incremental borrowing rate applied to the initial capitalisation of right-of-use asset, a small number of sites were driven by changes in the local competitive and trading environment at their respective sites and the additional impact of COVID-19.

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 would be as follows:

	A 10% reduction in	A 1% increase in	A 1% reduction in
	2020	**2020**	**2020**
Increased net impairment resulting from:	**£m**	**£m**	**£m**
Pub company	**0.4**	**1.1**	**1.4**
Pub Partners	**–**	**0.2**	**0.2**
Corporate	**–**	**1.2**	**1.2**
	0.4	**2.5**	**2.8**

Lease liabilities

Lease liabilities included in the statement of financial position at 26 April 2020	£m
As at 29 April 2019	20.4
On transition to IFRS 16 (note 1)	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**

Maturity of lease

	£m
Current	41.1
Non-current	1,132.7

Maturity analysis – contractual undiscounted cashflows:	
Less than one year	82.7
One to five years	303.9
More than five years	1,586.8
Total undiscounted lease liabilities as at 26 April 2020	**1,973.4**

Amounts recognised in the statement of profit and loss

2020 – Leases under IFRS 16	£m
Depreciation on Right-of-Use assets	
– Property	**45.4**
– Plant and equipment	**5.0**
Other lease expense and sublease income	**(1.9)**
Charged to Operating Profit	**48.5**
Interest expense related to lease liabilities	**43.3**
Charge to Profit before Taxation for leases	**91.8**

2019 – Operating lease under IAS 17	£m
Lease expense	**72.3**
Other lease expense and sublease income	**(3.2)**
Charge to Operating Profit	**69.1**
Financing cost	**12.0**
Charge to profit before Taxation for leases	**81.1**

The total cash outflow for leases in 2020 was £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 £234.8m and should it exercise the termination options, would result in a decrease in cash outflows of £11.6m.

22 BORROWINGS

		2020			2019		
	Repayment date	**Current £m**	**Non-current £m**	**Total £m**	Current £m	Non-current £m	Total £m
Bank overdrafts	On demand	**–**	**–**	**–**	1.3	–	1.3
Bank Loans:							
– Revolving loans	2025	**–**	**258.4**	**258.4**	–	189.9	189.9
– Term Loans	2025	**–**	**79.6**	**79.6**	–	–	–
Other Loans:							
– Revolving loans from related parties	2022	**–**	**425.0**	**425.0**	–	–	–
Secured debt:							
– Issued by Greene King Finance plc	2005 to 2036	**36.8**	**1,350.7**	**1,387.5**	53.6	1,483.9	1,537.5
– Issued by Spirit Issuer plc	2015 to 2032	**0.3**	**99.8**	**100.1**	10.1	369.4	379.5
Obligations under finance leases	2015 to 2084	**–**	**–**	**–**	1.2	19.2	20.4
		37.1	**2,213.5**	**2,250.6**	66.2	2,062.4	2,128.6

Bank overdrafts

Overdrafts are utilised for the day to day management of cash. The group has facilities of £25.0m (2019: £25.0m) available with interest linked to base rate.

Bank loans – unsecured

In November 2019 the group fully prepaid and cancelled the £750m revolving credit facilities which had been in place at the previous year end date.

During the year the group entered into new unsecured loan facilities totalling £400m, comprising £320m revolving loan facilities and a £80m 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, £260.0m was drawn down at the year end with a carrying value of £258.4m which included £1.6m of fees. The £80.0m term loan was fully drawn with a carrying value of £79.6m which included £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 drawdowns 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

In November 2019 the group entered into 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. Of the £750.0m available under the facility, £425.0m was drawn down at the year end with a carrying value of £425.0m.

Any amounts drawn down bear interest at a fixed rate 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.

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] 2020	Carrying value (£m)[1] 2019	Interest	Interest rate (%)[2]	Last repayment period	Weighted average life[3]
A1	–	**–**	84.2	Floating	6.11%	–	–
A2	211.2	**209.3**	217.5	Fixed	5.32%	2031	6.9 years
A3	–	**–**	34.7	Floating	6.09%	–	–
A4	258.9	**257.5**	257.9	Fixed	5.11%	2034	8.3 years
A5	208.7	**208.7**	218.0	Floating	3.93%	2033	7.8 years
A6	250.4	**246.8**	260.3	Fixed	4.06%	2035	8.3 years
A7	250.0	**245.7**	245.3	Fixed	3.59%	2035	8.6 years
B1	120.9	**120.1**	120.1	floating	6.96%[4]	2034	13.1 years
B2	99.9	**99.4**	99.5	Floating	6.92%	2036	15.2 years
	1,400.0	**1,387.5**	1,537.5				

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 (£2019: £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 (2019: £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.

Spirit secured financing vehicle

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

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

Tranche	Nominal value (£m)	Carrying value (£m)[1] 2020	2019	Interest	Interest rate(%)[2] 2020	2019	Last repayment period	Weighted average life[3]
A2	–	–	182.7	Floating	**9.49%**	9.49%	–	–
A4	–	–	96.4	Floating	**7.31%**	7.31%	–	–
A5	96.7	**100.1**	100.4	Fixed/floating	**5.47%**[4]	5.47%[4]	2032	10.9 years
	96.7	**100.1**	379.5					

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 secured properties and restrictions on the ability to move cash to other group companies and utilisation of disposal proceeds.

The group has available a £15.0m (2019: £58.5m) 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 drawdowns under this facility during the year and the drawn down amount at the year-end was £nil (2019: £nil).

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

Obligations under finance leases

As at 28 April 2019, the group leased various property, plant and equipment where it substantially has all the risks and rewards of ownership. Finance lease liabilities were included in borrowings until 28 April 2019 but were reclassified to lease liabilities on 29 April 2019 in the process of the adoption of IFRS 16. See note 1 and note 21 for further information about the change in accounting policy for leases.

23 FINANCIAL INSTRUMENTS

The group holds the following financial instruments:

	Note	2020 Current £m	2020 Non-current £m	2020 Total £m	2019 Current £m	2019 Non-current £m	2019 Total £m
Financial assets							
Financial assets at amortised cost							
Trade receivables	17	**34.0**	**–**	**34.0**	68.3	–	68.3
Financial assets	14	**0.9**	**4.1**	**5.0**	9.0	13.4	22.4
Cash and cash equivalents	18	**20.4**	**–**	**20.4**	185.3	–	185.3
		55.3	**4.1**	**59.4**	262.6	13.4	276.0
Financial liabilities							
Liabilities at amortised cost							
Trade payables and accruals	20	**247.9**	**–**	**247.9**	315.1	–	315.1
Borrowings	22	**37.1**	**2,213.5**	**2,250.6**	66.2	2,062.4	2,128.6
Lease liabilities	21	**41.1**	**1,132.7**	**1,173.8**	–	–	–
Derivative financial instruments							
Designated as hedging instruments	23	**11.0**	**143.2**	**154.2**	8.6	118.6	127.2
Not designated as hedging instruments	23	**–**	**8.4**	**8.4**	13.1	89.7	102.8
		337.1	**3,497.8**	**3,834.9**	403.0	2,270.7	2,673.7

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 26 April 2020 the group held three (2019: four) interest rate swap contracts for a nominal value of £429.4m (2019: £438.3m), which are designated cash flow hedges against £429.4m (2019: £438.3m) 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 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% (2019: 3.2%).

At the previous year end the group held one forward starting swap which commenced when the B1 notes issued by Greene King Finance plc switched from fixed rate interest to floating rate in March 2020.

The interest rate swaps hedging the A5, B1 and B2 tranches are held on the balance sheet as a fair value liability of £154.2m (2019: £109.6m). 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 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. At the previous year end date these swaps had been held on the balance sheet as a fair value liability of £17.6m. 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 (2019: £nil).

Scheduled cash payments of £10.2m (2019: £11.5m) 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.

During the year a loss of £15.5m (2019: £10.7m) was recycled from the hedging reserve to the income statement in respect of interest rate swap liabilities settled in prior periods, of which £6.1m has been recognised in exceptional finance costs and £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 26 April 2020, the group holds one (2019: 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 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 (2019: £5.6m) and the contract maturity date falls in December 2032.

During the 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. At the previous year end date these swaps, which did not qualify for hedge accounting, had been held on the balance sheet as a fair value liability of £97.2m.

Scheduled cash payments of £12.2m (2019: £12.1m) made in respect of the swaps have been recognised in pre-exceptional finance costs net of amortisation of fair value on acquisition of £7.0m (2019: £7.9m). 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 £15.3m loss (2019: £5.4m 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 26 April 2020, the nominal value of interest rate swaps outstanding on cancelled floating rate notes which relate to the Spirit secured debt was £nil (2019: £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 26 April 2020 and 28 April 2019. 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 £0.5m (2019: £23.8m) and the group's OCI by £53.4m (2019: £55.9m). An increase in interest rates would reduce (2019: increase) the group's profit and increase (2019: 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 85.7% (2019: 99.6%).

Certain of the group's financial instruments reference LIBOR and, in light of the expectation that LIBOR will cease to be available from the end of 2021, the group is monitoring market developments in relation to the transition to alternative Risk Free Rates in preparation for the negotiation of amendments to impacted financial instruments held by the group.

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 (2019: 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 26 April 2020 and 28 April 2019 based on contractual undiscounted payments including interest.

Year ended 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**

Year ended 28 April 2019	**Within 1 year £m**	**1–2 years £m**	**2–5 years £m**	**>5 years £m**	**Total £m**
Interest bearing loans and borrowings:					
– Capital	65.6	245.9	294.5	1,516.0	2,122.0
– Interest	95.4	88.1	224.3	386.3	794.1
	161.0	334.0	518.8	1,902.3	2916.1
Interest rate swaps settled net	29.7	30.6	75.1	132.3	267.7
	190.7	364.6	593.9	2,034.6	3,183.8
Trade payables and accruals	315.1	–	–	–	315.1
Finance lease obligations	1.2	1.2	3.4	48.5	54.3
	507.0	365.8	597.3	2,083.1	3,553.2

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:

	2020 £m	2019 £m
Underlying:		
Impairment loss on trade and other receivables	**2.5**	1.0
Impairment loss on financial assets (trade loans with publicans)	**0.3**	0.3
	2.8	1.3
Exceptional:		
Impairment loss on trade and other receivables	**17.1**	–
Impairment loss on financial assets (trade loans with publicans)	**14.6**	–
	31.7	–
	34.5	1.3

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.

The provision matrix was revised in the year to take into account the worsening economic environment driven by the COVID-19 global pandemic and the continued expected financial distress of a prolonged period of pub closure. This assessment included in-depth discussions with key management to reflect in the expected credit loss rates based on the likely default based on past experience, the expected recovery and current credit worthiness of the customer.

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

	2020			2019		
	Gross £m	**Provision £m**	**Net £m**	Gross £m	Provision £m	Net £m
Not past due	**31.6**	**(7.4)**	**24.2**	60.0	(1.9)	58.1
Past due						
– Less than 30 days	**8.2**	**(5.2)**	**3.0**	6.6	(0.9)	5.7
– 30-60 days	**7.7**	**(4.6)**	**3.1**	1.5	(0.3)	1.2
– Greater than 60 days	**9.5**	**(5.8)**	**3.7**	4.2	(0.9)	3.3
	57.0	**(23.0)**	**34.0**	72.3	(4.0)	68.3

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.

The remainder of the portfolio will be assessed under a 12-month expected credit loss model.

At year end 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 has been recognised when previously 12-month expected credit loss model had been applied. The impact resulted in revised rates of expected credit loss across the entire range of free trade loan customers which were based on the likely default based on past experience, the security held, the expected recovery and current credit worthiness of the customer.

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 2020 £m	Trade receivables 2019 £m	**Financial assets 2020 £m**	Financial assets 2019 £m
As at 28 April 2019	**(4.0)**	(4.9)	**(2.1)**	(5.1)
Provision for expected credit losses recognised in profit or loss during the year	**(19.6)**	(0.1)	**(14.9)**	(0.3)
Receivables written off during the year as uncollectible	**0.6**	1.0	**0.5**	3.3
At 26 April 2020	**(23.0)**	(4.0)	**(16.5)**	(2.1)

Further detail on expected credit loss methodology refer to 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 securitised debt; approximates to the carrying amount (adjusted to exclude capitalised fees) in the case of the floating rate bank loans.

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's credit risk. The changes in credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships.

Finance lease obligations – estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

	Hierarchical classification	**Fair value 2020 £m**	**Carrying value 2020 £m**	**Fair value 2019 £m**	**Carrying value 2019 £m**
Financial liabilities					
Interest-bearing loans and borrowings					
– Secured debt:					
Issued by Greene King Finance plc	Level 1	**1,493.0**	**1,387.5**	1,596.2	1,537.5
Issued by Spirit Issuer plc	Level 1	**92.8**	**100.1**	373.6	379.5
– Bank loans	Level 2	**340.0**	**338.0**	189.9	189.9
Loans from related parties	Level 2	**425.0**	**425.0**		
Interest rate swaps	Level 2	**162.6**	**162.6**	230.0	230.0
Finance lease obligations	Level 2	**–**	**–**	20.4	20.4
Financial assets					
Financial assets	Level 3	**(5.0)**	**(5.0)**	(22.4)	(22.4)

Carrying values of the secured debt issued by Greene King Finance plc are stated net of any deferred finance fees which amounted to £12.5m (2019: £14.1m).

Carrying values of the secured debt issued by Spirit Issuer plc include premiums arising from fair value adjustments of £3.4m (2019: £2.7m).

Carrying values of bank loan notes are stated net of deferred finance fees of £2.0m (2019: £2.4m).

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 26 April 2020 and 28 April 2019 there were no transfers between fair value levels 1, 2 or 3.

Capital risk management

The group aims to maximise shareholder value by maintaining a strong credit rating and a core level of debt which optimises 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 covenants in relation to the securitisation vehicles and bank loans have been fully complied with during the financial year. See going concern disclosure within Note 1 for potential impact of COVID-19 on the covenants.

24 OFF-MARKET CONTRACT LIABILITIES AND PROVISIONS

	Off-market liabilities £m	Property leases £m	Indirect tax provisions £m	Total provisions £m
At 29 April 2018	246.5	27.9	24.7	299.1
Unwinding of discount element of provisions	11.4	0.6	–	12.0
Provided for during the year	–	17.5	0.7	18.2
Released during the year	(4.1)	(13.1)	–	(17.2)
Utilised during the year	(16.8)	(3.5)	–	(20.3)
At 28 April 2019	237.0	29.4	25.4	291.8
Derecognition upon transition to IFRS 16	(237.0)	(22.0)		(259.0)
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**

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

	26 April 2020				28 April 2019			
	Off-market liabilities £m	Property leases £m	Indirect tax provisions £m	Total £m	Off-market liabilities £m	Property leases £m	Indirect tax provisions £m	Total £m
Current	**–**	**3.8**	**–**	**3.8**	17.8	5.9	25.4	49.1
Non-current	**–**	**3.1**	**–**	**3.1**	219.2	23.5	–	242.7
	–	**6.9**	**–**	**6.9**	237.0	29.4	25.4	291.8

Off-market contract liabilities

Prior to 29 April 2019, off-market contract liabilities were recognised where contracts were at unfavourable terms relative to market terms on acquisition. For acquired leases where the current rentals were below market terms, an operating lease intangible asset was recognised (see note 12).

From 29 April 2019, on transition to IFRS 16, both off-market contract liabilities and operating lease intangible assets have been recognised as part of the Right-of-Use asset (see note 1).

Property leases

Prior to 29 April 2019, the provision for property lease was set up to cover operating costs of vacant or loss-making premises as well as dilapidation requirements. From 29 April 2019, onerous lease provisions have been considered for the calculation of Right-of-Use Assets following the adoption of IFRS 16. See note 1 for further details.

Indirect tax provisions

Prior to acquisition by Greene King in 2015, the Spirit Pub Company group agreed not to settle disputed VAT of £18m 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 is 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 considers the repayment of the £18m VAT and associated accrued interest of £8.0m to no longer be probable and therefore the provision has been released.

25 SHARE CAPITAL

	2020		2019	
	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	**310.0**	**38.7**	310.0	38.7
Issue of share capital – share options exercised	**2.0**	**0.3**	–	–
At end of year	**312.0**	**39.0**	310.0	38.7

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 1. Amounts recycled to income are included within finance costs in the income statement.

Own shares

Own shares related to shares held in treasury, held by the employee benefit trust or purchased to fulfil awards made under the deferred share bonus scheme. At 26 April 2020 nil shares (2019: nil) were held in treasury, nil shares (2019: 0.1m) were held by the employee benefit trust and nil (2019: nil) were held to fulfil awards under the deferred share bonus scheme. The market value at 26 April 2020 of the treasury shares was £nil (2019: £nil), of the shares held by the employee benefit trust was £nil (2019: £0.2m) and of the shares held for the deferred share bonus scheme was £nil (2019: £nil).

The employee benefit trust is independently managed and has purchased shares in order to satisfy outstanding employee share options and potential awards under the long-term incentive plan.

At the year-end nil (2019: nil) treasury shares and nil (2019: nil) shares in the employee benefit trust were allocated to meet awards under the long-term incentive plan.

A transfer of £nil (2019: £0.5m) from own shares to retained earnings has been made to reflect transfers to satisfy awards under the long-term incentive plan and options exercised under the executive share option plan and reflects the weighted average cost of own shares.

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

	2020 £m	2019 £m
(Increase) in inventories	**(0.5)**	(3.4)
(Increase)/decrease in trade and other receivables	**(6.0)**	(8.3)
(Decrease) in trade and other payables	**(106.8)**	(2.5)
Decrease in off-market contract liabilities	**–**	(16.8)
Decrease in provisions	**(0.4)**	(3.5)
Other non-cash movement	**2.8**	0.3
Share-based payment expense	**2.3**	2.0
Defined benefit pension contributions paid	**(4.6)**	(3.3)
Operating exceptional and non-underlying items	**(32.4)**	(5.9)
Working capital and other movements	**(145.6)**	(41.4)

28 ANALYSIS AND MOVEMENTS IN NET DEBT

	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:					
- Lease liabilities[3]	–	39.9	–	(1,213.7)	**(1,173.8)**
– Derivative financial instruments[2]	(230.0)	119.3	(51.9)	–	**(162.6)**
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.

	As at 29 April 2018 £m	Financing Cash flows £m	Changes in Fair value £m	Other non-Cash changes £m	As At 28 April £m
Cash and cash equivalents					
Cash at bank and in hand[1]	168.5	16.8	–	–	**185.3**
Cash and cash equivalents for balance sheet	168.5	16.8	–	–	**185.3**
Overdrafts	–	(1.3)	–	–	**(1.3)**
Cash and cash equivalents for cash flow	168.5	15.5	–	–	**184.0**
Liabilities from financing activities					
Included in net debt:					
– Finance leases	(20.6)	0.2	–	–	**(20.4)**
- Unsecured bank loans- floating rate					
– Bank loans- Facility A	(88.8)	65.0		(0.5)	**(24.3)**
– Bank loans- Facility B	(184.3)	19.8		(1.1)	**(165.6)**
– Securitised borrowing	(1,907.1)	(6.1)	–	(3.8)	**(1,917.0)**
	(2,200.8)	78.9	–	(5.4)	**(2,127.3)**
Not included in net debt:					
– Derivative financial instruments[2]	(241.1)	18.6	(7.5)	–	**(230.0)**
Liabilities from financing activities	**(2,441.9)**	**97.5**	**(7.5)**	**(5.4)**	**(2,357.3)**
Net debt	**(2,032.3)**	**94.4**	**–**	**(5.4)**	**(1,943.3)**

1. Includes short-term deposits.
2. Includes derivative asset balances.
3. Excludes interest payments on borrowings, which are recognised within 'cash flows from operating activities' in the group cash flow statement.
4. 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 has entered into commercial leases on certain properties and items of plant and machinery. The terms of the leases vary but typically on inception a property lease will be for a period of up to 30 years and plant and machinery will be for up to six years. Most property leases have an upwards-only-rent review based on open market rents at the time of the review.

Upon transition to IFRS 16 on 29 April 2019, the group has capitalised all operating leases held as Right-of-Use assets, for further information see notes 1 and 21.

Commitments for minimum future lease payments in relation to non-cancellable operating leases are payable in 2019 were follows:

	2019 £m
Within one year	83.7
Between one and five years	318.9
After five years	1,444.9
	1,847.5

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 payable under non-cancellable operating leases are as follows:

	2020 £m	2019 £m
Within one year	**41.9**	43.9
Between one and five years	**111.2**	118.8
After five years	**119.5**	135.6
	272.6	298.3

Future minimum lease rentals include £6.5m (2019: £6.8m) 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 2020 £m	Balances outstanding 2020 £m
CKA Holdings UK limited		
Revolving Loan Facility and interest	–	(425.0)
Interest and expense and accrued interest	(4.7)	(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	–	2.8
Dividends	(27.0)	–

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 recognised once the leases began.

	Transaction values 2020 £m	Balances outstanding 2020 £m
Right-of-Use Asset		
Balances as at year end	–	298.9
Amortisation of Right-of-Use asset	(5.7)	–
Lease liability		
Balances as at year end	–	(459.5)
Interest charged on lease liabilities	(8.5)	–
Payments made to CK Asset Holdings Limited in the year in respect of lease liabilities		11.8

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 29 June 2020 the company established a commercial paper programme for the purpose of issuing notes guaranteed by CK Asset Holdings Limited which are eligible for purchase under the joint HM Treasury and Bank of England COVID Corporate Financing Facility.

On 2 July 2020 the company issued a note under this programme with a principal amount of £300m, maturing on 31 March 2021.

COVID-19

On 6 July 2020, the group re-opened 1,212 of its managed pubs following government guidelines and the introduction of our PUBSAFE promises. At the time of signing the annual report and accounts approximately 90% of the pub estate and both breweries had reopened.

The group continue to work closely with all its leased and tenanted partners, most of which opened over the weekend of the 4 July, to ensure the safe re-opening of sites and has increased production across both breweries to support demand.

Financial covenant waiver

On 15 July 2020 the directors obtained a waiver in respect of the Q1 FCF DSCR covenants relating to the Greene King securitisation bonds.

32 ULTIMATE PARENT COMPANY

At 26 April 2020, 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.

COMPANY BALANCE SHEET

AS AT 26 APRIL 2020

Registered number: 24511

	Note	As at 26 April 2020 £m	As at 28 April 2019 £m
Fixed assets			
Investments	37	**3,820.9**	3,890.6
Current assets			
Debtors	38	**159.7**	99.3
Cash		**8.8**	–
Creditors: amounts falling due within one year			
Borrowings	40	**–**	(1.6)
Creditors	39	**(1,981.8)**	(2,436.2)
Net current liabilities		**(1,813.3)**	(2,338.5)
Total assets less current liabilities		**2,007.6**	1,552.1
Creditors: amounts falling due after more than one year			
Borrowings	40	**(763.0)**	(189.9)
Net assets		**1,244.6**	1,362.2
Capital and reserves			
Called up share capital	42	**39.0**	38.7
Share premium account	43	**269.4**	262.2
Merger reserve	43	**752.0**	752.0
Revaluation reserve	43	**2.5**	2.5
Other reserve	43	**93.9**	93.9
Retained earnings[1]		**87.8**	212.9
Equity attributable to owners of the parent		**1,244.6**	1,362.2

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 loss generated in the year for ordinary shareholders and included in the financial statements of the parent Company, amounted to £24.7m (2019: profit £79.6m).

Signed on behalf of the board on 12 August 2020

Richard Smothers

Director

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE 52 WEEKS ENDED 26 APRIL 2020

	Called up share capital £m	Share premium account £m	Merger reserve £m	Revaluation reserve £m	Other reserve £m	Own shares £m	Retained earnings £m	Total £m
At 29 April 2018	**38.7**	**262.0**	**752.0**	**2.5**	**93.9**	**(0.5)**	**234.7**	**1,383.3**
Profit for the year	–	–	–	–	–	–	**79.6**	79.6
Total comprehensive income	–	–	–	–	–	–	**79.6**	79.6
Issue of ordinary share capital	–	0.2	–	–	–	–	**–**	0.2
Transfer	–	–	–	–	–	0.5	**(0.5)**	–
Share-based payments	–	–	–	–	–	–	**2.0**	2.0
Equity dividends paid	–	–	–	–	–	–	**(102.9)**	(102.9)
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**

NOTES TO THE COMPANY ACCOUNTS

FOR THE 52 WEEKS ENDED 26 APRIL 2020

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 (formerly Greene King plc) is a private company limited by shares incorporated and domiciled in England and Wales. For details on the acquisition of Greene King plc, see note 1. The address of its registered office 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.

Own shares

Own shares consist of treasury shares and shares held within an employee benefit trust. The company has an employee benefit trust to satisfy the exercise of share options that have vested under the group's share option schemes.

Own shares are recognised at cost as a deduction from shareholders' equity. Subsequent consideration received for the sale of such shares is also recognised in equity, with any difference between the sale proceeds from the original cost being taken to retained earnings.

No gain or loss is recognised in the performance statements on transactions in own shares.

Share-based payments

Where the company grants share-based awards over its own shares in exchange for employee services rendered to its subsidiaries (including services provided by the company's directors), it recognises in its individual financial statements, an increase to the cost of investment equivalent to the share-based payment expense recognised in the consolidated financial statements and a corresponding credit in equity. The share-based payments relating to directors are recognised as an expense by the subsidiaries, consistent with their other remuneration.

Certain employees and directors receive equity-settled remuneration, whereby they render services in exchange for shares or rights over shares. The fair value of the shares and options granted is measured using a Black-Scholes model, at the date at which they were granted. No account is 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). Any other conditions that are required to be met in order for an employee to become fully entitled to an award are 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 is recognised as an employee expense with a corresponding increase in equity spread over the period in which the vesting conditions are fulfilled ending on the relevant vesting date. The cumulative amount recognised as an expense reflects the extent to which the vesting period has expired, adjusted for the estimated number of shares and options that are ultimately expected to vest. The periodic charge or credit is the movement in the cumulative position from beginning to end of that period.

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.

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.

34 PROFIT FOR THE PERIOD

No income statement is presented for the company as permitted by section 408 of the Companies Act 2006. The loss after tax for the period is £24.7m (2019: profit £79.6m).

35 AUDITOR'S REMUNERATION

Auditor's remuneration in respect of the company audit was £24,000 (2019: £16,500). 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 29 April 2018	2,367.8	1,130.2	3,498.0
Additions	222.0	–	222.0
Share-based payment awards to employees of subsidiaries	2.0	–	2.0
Advances	–	193.3	193.3
Cost at 28 April 2019	2,591.8	1,323.5	3,915.3
Additions	–	–	–
Share-based payment awards to employees of subsidiaries	2.3	–	2.3
Advances	–	–	–
Cost at 26 April 2020	**2,594.1**	**1,323.5**	**3,917.6**
Impairment at 29 April 2018	(23.2)	–	(23.2)
Impairment of non-trading subsidiaries	–	(1.5)	(1.5)
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)**
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
NBV at 29 April 2018	2,344.6	1,130.2	3,474.8

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 DEBTORS

	2020 £m	2019 £m
Amounts owed from subsidiaries	**156.9**	99.3
Amounts owed from related parties	**2.8**	–
	159.7	99.3

39 CREDITORS

	2020 £m	2019 £m
Accruals	**3.5**	2.7
Corporation tax payable	**17.9**	5.1
Amounts owed to subsidiaries	**1,960.4**	2,428.4
	1,981.8	2,436.2

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

40 BORROWINGS

	2020			2019		
	Within one year £m	**After one year £m**	**Total £m**	Within one year £m	After one year £m	Total £m
Bank overdraft	**–**	**–**	**–**	1.6	–	1.6
Bank loans:						
– Revolving loans	**–**	**258.4**	**258.4**	–	189.9	189.9
– Term loans	**–**	**79.6**	**79.6**	–	–	–
Other loans						
- Revolving loans from related parties	**–**	**425.0**	**425.0**			
	–	**763.0**	**763.0**	1.6	189.9	191.5

As explained in note 22, during the year the company fully prepaid and cancelled the £750m revolving credit facilities which had been in place at the previous year end date and entered into new unsecured loan facilities totalling £1,150m.

Bank loans due after one year are repayable as follows:

	2020 £m	2019 £m
Due between one and two years	**–**	165.6
Due between two and five years	**338.0**	24.3
	338.0	189.9

Although any individual drawdowns are repayable within 12 months of the balance sheet date, immediate renewal is available until the maturity of the facilities in February 2025 and 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:

	2020 £m	2019 £m
Due between two and five years	**425.0**	–
	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.

41 FINANCIAL INSTRUMENTS

Financial assets at amortised cost

Financial assets at amortised cost include the following:

	2020			2019		
	Current £m	**Non-current £m**	**Total £m**	**Current £m**	Non-current £m	Total £m
Loans to subsidiaries	**–**	**1,323.5**	**1,323.5**	–	1,323.5	1,323.5
Less: expected credit loss	**–**	**(62.3)**	**(62.3)**	–	(1.5)	(1.5)
	–	**1,261.2**	**1,261.2**	–	1,322.0	1,322.0
Amounts due from subsidiaries	**164.7**	**–**	**164.7**	99.4	–	99.4
Amounts due from related parties	**2.8**	**–**	**2.8**	–	–	–
Less: expected credit loss	**(7.8)**	**–**	**(7.8)**	(0.1)	–	(0.1)
	159.7	**–**	**159.7**	99.3	–	99.3

Impairment

The company has assessed the credit risk on the intercompany loans and have concluded that there has not been an increase in credit risk since initial recognition, therefore a 12-month expected credit loss has been calculated.

The loss allowance for the loans to subsidiaries and amounts due from subsidiaries reconciles to the opening loss allowance on 28 April 2019 and to the closing loss allowance as at 26 April 2020 as follows:

	Loans to subsidiaries £m	Amounts due from subsidiaries £m
Closing expected credit loss as at 28 April 2019	**1.5**	**0.1**
Increase in the allowance recognised in profit or loss during the period	**60.8**	**7.9**
Closing expected credit loss as at 26 April 2020	**62.3**	**8.0**

42 ALLOTTED AND ISSUED SHARE CAPITAL

Allotted, called-up and fully paid	**2020 £m**	**2019 £m**
Ordinary shares of 12.5p each		
312.0m shares (2019: 310.0m)	**39.0**	38.7

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 being the difference between the value of the consideration and the nominal value of the shares issued as consideration.

Other reserve

The other reserve consists of £3.3m (2019: £3.3m) capital redemption reserve arising from the purchase of own share capital and £90.6m (2019: £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.

Own shares

Own shares relate to shares held in treasury and by the employee benefit trust. Movement in own shares is described in note 26

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 29 June 2020 the company established a commercial paper programme for the purpose of issuing notes guaranteed by CK Asset Holdings Limited which are eligible for purchase under the joint HM Treasury and Bank of England COVID Corporate Financing Facility.

On 2 July 2020 the company issued a note under this programme with a principal amount of £300m, maturing on 31 March 2021.

Financial covenant waiver

On 15 July 2020 the directors obtained a waiver in respect of the Q1 FCF DSCR covenants relating to the Greene King securitisation bonds.

46 ULTIMATE PARENT COMPANY

At 26 April 2020, 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 RETURN ON INVESTMENT

Return on investment is calculated by dividing the total annualised up-lift in EBITDA from all core development schemes completed in the financial year by the total amount invested in those schemes.

Total capital investment quoted below is the total spent on schemes completed in the year and is not intended to reconcile to total in-year capital expenditure presented in note G below.

	Source	**2020**	2019
		£m	£m
Incremental annualised EBITDA	Non-GAAP	**13.3**	13.7
Total core capital investment in completed schemes	Non-GAAP	**54.3**	38.3
Return on investment		**24.5%**	35.8%

B FREE CASH FLOW

	Source	**2020**	2019
		£m	£m
EBITDA	Cash flow statement	**411.9**	482.0
Working capital and other movements	Note 27	**(145.6)**	(41.4)
Add back: exceptional and non-underlying items	Note 27	**32.4**	5.9
		298.7	446.5
Tax payments	Cash flow statement	**(33.9)**	(21.0)
Add back: impact of changes to payment regimes	Non-GAAP	**15.2**	-
		(18.7)	(21.0)
Interest received	Cash flow statement	**0.8**	0.7
Interest paid	Cash flow statement	**(152.7)**	(117.6)
		(151.9)	(116.9)
Core capex	Note D below	**(137.3)**	(119.1)
Repayment of lease liabilities	Cash flow statement	**(39.9)**	
Net repayment of trade loans	Cash flow statement	**2.5**	0.6
Equity dividends paid	Note 11	**(102.6)**	(102.9)
Other non-cash movements	Non-GAAP	**(2.2)**	(1.1)
Free cash flow		**(151.4)**	86.1

C RETURN ON CAPITAL EMPLOYED

	Source	2020 £m	2019 (restated[1]) £m
Operating profit before exceptional and non-underlying items	Income statement	**253.1**	373.1
Average capital employed:			
Net assets[1]	Group balance sheet	**1,629.1**	2,081.8
Add back:			
Deferred tax assets[1]	Group balance sheet	**(3.4)**	16.6
Post-employment (assets)/liabilities	Group balance sheet	**(51.8)**	(13.6)
Derivatives	Group balance sheet	**162.6**	241.1
Net debt	Group balance sheet	**2,230.2**	2,032.3
Capital employed	Non-GAAP	**3,966.7**	4,312.8
Timing adjustment	Non-GAAP	**203.4**	108.3
Average capital employed	Non-GAAP	**4,170.1**	4,421.1
ROCE		**6.1%**	8.4%

[1] Net assets and deferred tax assets have been restated. See note 1 for further details.

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.

D CAPITAL INVESTMENT

	Source	2020 £m	2019 £m
Non-returning capex*	Non-GAAP	**69.9**	72.6
Development capex	Non-GAAP	**67.4**	46.5
Core capex	Non-GAAP	**137.3**	119.1
Brand swap and new site investment	Non-GAAP	**29.0**	44.3
Purchase of property, plant and equipment	Cash flow statement	**166.3**	163.4

*non-returning capex also referred to as "maintenance capex".

E PUB COMPANY LFL SALES

2020 CALCULATIONS	Source	2020 £m	2019 £m	YoY%
Reported revenue	Note 3	**1,556.3**	1,799.2	-13.5%
Less: non-LFL revenue	Non-GAAP	**(45.7)**	(62.0)	
LFL sales	Non-GAAP	**1,510.6**	1,737.2	-13.0%

2019 CALCULATIONS	Source	2019 £m	2018 £m	YoY%
Reported revenue	Note 3	**1,799.2**	1,767.7	+1.8%
Less: non-LFL revenue	Non-GAAP	**(65.1)**	(82.8)	
LFL sales	Non-GAAP	**1,734.1**	1,684.9	+2.9%

Non-LFL revenue includes all machine income and the sales from pubs that have not traded for two full financial years. For pubs disposed of in each of the financial years these amounts include all sales prior to disposal; for new pubs acquired or opened during the two-year period these amounts include all post-acquisition sales.

F PUB PARTNERS LFL NET PROFIT AND LFL NET INCOME

2020 CALCULATIONS	Source	2020 £m	2019 £m	YoY%
Reported operating profit	Note 3	**69.0**	87.1	-20.8%
Other non-LFL adjustments	Non-GAAP	**0.4**	(4.1)	
LFL net profit	Non-GAAP	**69.4**	83.0	-16.4%
Add back: Central cost allocation on LFL sites	Non-GAAP	**13.3**	13.2	
Add back: Depreciation on LFL sites	Non-GAAP	**10.0**	10.0	
LFL net income		**92.7**	106.2	-12.7%

2019 CALCULATIONS	Source	**2019 £m**	2018 £m	YoY%
Reported operating profit	Note 3	**87.1**	91.4	-4.7%
Other non-LFL adjustments	Non-GAAP	**(7.0)**	(11.0)	
LFL net profit	Non-GAAP	**80.1**	80.4	-0.3%
Add back: Central cost allocation on LFL sites	Non-GAAP	**20.3**	18.6	
Add back: Depreciation on LFL sites	Non-GAAP	**10.0**	9.8	
LFL net income		**110.4**	108.8	1.5%

Non-LFL profit adjustments are in respect of pre-disposal net profit from pubs that were disposed of in the current or prior year.