

# **The Unique Pub Finance Company PLC**

## **Report and Accounts**

30 September 2018

Registered number: 03733088



# The Unique Pub Finance Company PLC

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Registered No: 03733088

## **DIRECTORS**

N R Smith

W S Townsend

Wilmington Trust SP Services (London) Limited

## **SECRETARY**

L Togher

## **AUDITORS**

Ernst & Young LLP

No. 1 Colmore Square

Birmingham

B4 6HQ

## **REGISTERED OFFICE**

3 Monkspath Hall Road

Solihull

West Midlands

B90 4SJ

# The Unique Pub Finance Company PLC

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## STRATEGIC REPORT

Registered No: 03733088

### PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The Unique Pub Finance Company PLC ("the Company") is a wholly owned subsidiary within the group headed by its ultimate parent company, Ei Group plc, and operates as part of the group of companies owned by Ei Group plc ("the Group"). The principal activity of the Company continues to be the provision of loan finance to Unique Pub Properties Limited in connection with its operation of pubs.

The profit before tax for the year amounted to £97,000 (2017: £105,000), being the net of interest receivable from the onward loan finance to Unique Pub Properties Limited of the proceeds of the Company's securitised bonds and the interest on the securitised bonds. As the interest rates on the assets and liabilities are fixed, the level of profit is solely linked to the level of outstanding balances in the period.

At 30 September 2018 the Company had net assets of £1,589,000 (2017: £1,511,000).

The securitisation documents entered into as part of the arrangement to issue bonds by the Company are inter alia:

- Estate Purchase Agreement
- Intercompany Loan Agreement
- Debenture
- Cash Management Agreement
- Asset Management Agreement
- Hedge Agreement
- Beer Supply Agreement
- Bank Account Agreement
- MBIA Guarantee (2002 Issue only)
- Intellectual Property Rights Assignment

These were issued in accordance with the terms of the securitisation and the key terms are set out in the Offering Circular dated 25 February 2005.

The securitised Trustee is The Law Debenture Trust Corporation p.l.c. appointed to represent the interests of the holders of the Notes ("the Trustee").

The £904 million remaining securitised bonds amortise over the period to 2032 and attract a weighted average fixed interest rate of 6.35% until maturity. The Company made scheduled repayments on these bonds of £81 million and made market purchases of £4 million of bonds during the year resulting in the Company being £75 million ahead of the amortisation schedule set out in the bond prospectus and used for the purpose of the debt cover service ratio covenant.

On 6 July 2018 the holders of the A3 and A4 notes voted in favour of proposals to amend the permitted disposals clause within the Unique Securitisation to allow greater flexibility in disposing of non-tied pubs so long as the proceeds from such disposals are used to repay Unique Securitised notes in class order with the applicable redemption premium.

Please see note 12 for further details relating to the financing activities within the Company.

The directors do not believe there to be any additional key performance indicators relevant to the Company.

# The Unique Pub Finance Company PLC

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## STRATEGIC REPORT (CONTINUED)

Registered No: 03733088

### RISKS AND UNCERTAINTIES

As the principal activity of the Company continues to be the provision of loan finance to Unique Pub Properties Limited in connection with its operation of pubs, the principal risks and uncertainties facing the Company are financial and are discussed in this section.

These risks are monitored on a group basis and there are formal management processes in place to identify and evaluate these risks.

#### Regulatory risk

On 21 July 2016 the new Statutory Code of Practice introduced by the Small Business, Enterprise and Employment Act 2015 came into effect. The Pubs Code applies to the six companies with over 500 pubs operating under tied leased and tenancy agreements in England and Wales, and is overseen by an independent Adjudicator.

The new legislation includes a tenant's right, under certain circumstances, to change the freely-negotiated commercial terms of their existing agreement to a new Market Rent Only (MRO) compliant agreement. This enables some occupational tenants to elect to opt-out of the supply tie at certain points or after certain exceptional events during the term of their lease agreement and therefore occupy the premises on a standard commercial property lease, paying rent only. In the event that a tenant elected to invoke this option, whilst our income derived from the supply of tied drinks products would be partially offset by increases in rent, it is possible that total income and property valuations in Unique Pub Properties Limited could be adversely affected by this element. The potential increase in credit default by Unique Pub Properties Limited is considered a risk to the Company given that the principal activity is the provision of loan finance to Unique Pub Properties Limited.

#### Financial instrument risk

The Company's financial instruments include securitised bonds, intercompany loans and cash. The main purpose of these financial instruments is to raise finance for the Group's operations. The main risks arising from the Company's financial instruments are liquidity risk, interest rate risk, credit risk and financial covenant risk. There is no currency exposure as all transactions are in sterling. The Board reviews and agrees policies for managing each of these risks on a group basis and they are summarised below:

#### Liquidity risk

The Company's direct exposure to liquidity risk is mitigated by the fact that the intragroup on-loans to Unique Pub Properties Limited mirror the terms of the securitised debt in all material aspects. The Company's liquidity risk is therefore indirect, being the risk that Unique Pub Properties Limited will be unable to make payments due under the terms of the on-loan.

Unique Pub Properties Limited's liquidity risk is subject to:

- Regular cash flow forecasting and reporting through the Group's treasury function
- Regular review of that company's debt portfolio including maturities and repayment profile

The exposure to liquidity risk in respect of the Securitisation is managed on a Group basis by a liquidity facility held in other Group Companies. The liquidity facility is a renewable committed facility of £152 million for a term of 364 days. The liquidity facility is available to meet certain payment obligations falling due in the Unique Securitisation to the extent that insufficient funds are received to meet such payments. The liquidity facility is due for renewal on 20 September 2019.

#### Interest rate risk

As at 30 September 2018, the Company has no net exposure to interest rate fluctuations since all remaining interest bearing loan assets and bond liabilities are at fixed rates of interest.

#### Credit risk

The Company's income and all material debtors are intercompany supported by a profitable, cash generative business with securitised assets.

# The Unique Pub Finance Company PLC

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## STRATEGIC REPORT (CONTINUED)

Registered No: 03733088

### **Financial covenant risk**

There are two covenants that relate to the Unique Securitisation which are tested at each quarter end and are based solely around the assets held within the Unique Securitisation, which are predominantly held in Unique Pub Properties Limited. There is a net asset covenant and a debt service cover covenant.

Throughout the year the Company tests all of the financial covenants and forecasts of future compliance are prepared during the annual budgeting process. Throughout the year the Board regularly reviews updated detailed financial forecasts to ensure there is sufficient headroom on all covenants and this is monitored by a variety of measures which are reported to debt providers on a quarterly basis. The Board is satisfied that there is sufficient headroom on all financial covenants as at 30 September 2018 and on financial forecasts for a period of at least 12 months from the date of approval of these financial statements.

### **General economic conditions**

The Company's income and principal activity continues to be the provision of loan finance to Unique Pub Properties Limited in connection with its operation of pubs. The Unique Pub Properties Limited's operations are sensitive to economic conditions and the general economic outlook remains uncertain, particularly as the full impact of Brexit remains unclear at the current time as well as changes to interest rates and other economic factors, which could impact publican profitability due to decreased consumer spending or an increase in the underlying cost base of publicans. As a Group we are well placed to react to additional competition for leisure spending as we have the scale and tools available to support our publicans. The Board does not underestimate the fragility in market conditions but acknowledges signs of recovery and the improving trends in the operation of pubs. The Board regularly reviews financial forecasts to assess the impact of economic conditions on the operations of pubs and therefore on the Company's income.

The Board regularly monitors the key income streams and publicans' performance to ensure the Group is competitively placed in the market, including regularly reviewing financial forecasts to assess the impact of economic conditions on the budget, strategic plans and publicans. Careful consideration is given to all publicans' requests for additional operational and financial support as well as assessing appropriate investment in the development of our pubs to ensure that we remain competitively placed in the market.

On behalf of the Board



N R Smith  
Director  
24 January 2019

# The Unique Pub Finance Company PLC

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## DIRECTORS' REPORT

Registered No: 03733088

The directors present their report and accounts for the year ended 30 September 2018.

### DIRECTORS

The directors of the Company during the year ended 30 September 2018 and since the end of the year were as follows:

N R Smith  
W S Townsend  
Wilmington Trust SP Services (London) Limited

Group Chief Financial Officer  
Group Chief Executive Officer

The directors in office have no beneficial interest in the shares of the Company. N R Smith and W S Townsend are also directors of the ultimate parent company, Ei Group plc, and their interests in the share capital of that company are shown in its accounts.

### ENVIRONMENT

The Company as part of the wider Group headed by Ei Group plc recognises its responsibility to achieve good environmental practice and to continue to strive for improvement in areas of environmental impact. Our approach is to work towards continuous improvement through education, communication and direct action where applicable. Details of the Group's environmental policies are discussed in the Group's Annual Report and Accounts.

### EMPLOYEES

The Company had no employees during the current or prior year.

### DIVIDENDS

During the year no dividend was paid to the Company's immediate parent undertaking, Unique Pub Investments Limited (2017: £nil). The directors do not recommend the payment of a final dividend (2017: £nil).

### FUTURE DEVELOPMENTS

The Company will continue to provide loan finance to Unique Pub Properties Limited in connection with its operation of pubs.

### POST BALANCE SHEET EVENT

On 10 January 2019 the Group of which the Company is a part entered into a sale agreement, subject to Shareholder approval, in relation to 370 properties for expected gross aggregated cash consideration of £348 million.

Approximately £180 million of net proceeds will be generated from the sale of properties within the Unique Securitisation and will therefore be used in part repayment of the securitised loans and meeting the associated costs.

### STATEMENT OF DISCLOSURE TO THE AUDITOR

The directors who are members of the Board at the time of approving the Directors' Report are listed above. The directors confirm that:

- To the best of the directors' knowledge and belief, there is no relevant audit information of which the Company's auditor are unaware, and
- The directors have taken all the steps that they ought to have taken to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The Company has chosen in accordance with section 414C(11) of the Companies Act 2006 to include the disclosures required by paragraph 6 of Schedule 7 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 on the use of financial instruments and risk exposures relating to financial instruments in the 'Strategic Report'.

# The Unique Pub Finance Company PLC

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## DIRECTORS' REPORT (CONTINUED)

Registered No: 03733088

### GOING CONCERN

The Company's principal activities, together with risks and uncertainties faced are discussed in the Strategic Report. In addition, note 12 to the financial statements provides further details of the Company's objectives and policies relating to the financial risks facing the Company.

The Company is expected to continue to generate positive cash flows for the foreseeable future and at the year end the Company was £75 million ahead of the amortisation schedule on its bonds set out in the bond prospectus and used for the purpose of the debt cover service ratio covenant, through early repayment and market purchases.

The directors have considered the principal risks and the Company's financial resources including a review of the medium-term financial plan, which includes a review of the cash flow forecasts for the Unique Securitised Group for the period of at least 12 months from the date of approval of these financial statements.

Based on the outcome of the above considerations the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the period under review. For this reason the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

### CORPORATE GOVERNANCE - FINANCIAL REPORTING

The Company has in place internal control and risk management systems in relation to the Company's financial reporting process and the process for preparation of financial accounts. These systems include policies and procedures that: pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in accordance with UK GAAP; require representatives of the business to clarify that their reported information gives a true and fair view of the state of affairs of the business and its results for the period; and review and reconcile reported data.

On behalf of the Board



N R Smith  
Director  
24 January 2019

# The Unique Pub Finance Company PLC

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## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- 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 will continue in business.

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

Each of the directors, whose names and functions are disclosed on page 5, confirms that, to the best of their knowledge:

- The financial statements of the Company, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 101 'Reduced Disclosure Framework' (FRS 101), give a true and fair view of the assets, liabilities, financial position and result of the Company; and
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.



# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE UNIQUE PUB FINANCE COMPANY PLC

## Opinion

We have audited the financial statements of the Unique Pub Finance Company plc for the year ended 30 September 2018 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 15 including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation 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 company's affairs as at 30 September 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- 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 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 as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## Overview of our audit approach

Key audit matters	• Compliance with debt securitisation covenants
Materiality	• Overall materiality of £4.5m which represents 0.5% of Total Assets.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE UNIQUE PUB FINANCE COMPANY PLC (CONTINUED)

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk
<p><b>Compliance with debt securitisation covenants</b></p> <p>The company prepares the financial statements on the going concern basis on the assumption that the company has complied for the current year, and will remain compliant for a period of at least 12 months from the date of these financial statements, with the net worth covenant and, debt service cover ratio ("DSCR") covenant. If the company were unable to comply with the debt covenant tests or the payment restriction, there is a risk that the going concern basis of preparation of the financial statements would no longer be appropriate.</p>
Our response to the risk
<p>We have read management's going concern assessment to understand the key assumptions.</p> <p>There are two covenants that relate to the Unique securitisation which are based on the operating performance of, and assets held within, the Unique securitisation, which are predominantly generated and held in Unique Pub Properties Limited ("UPPL"). We have inspected the covenant test ratio definitions within the intercompany loan agreement which forms part of the securitisation agreements.</p> <p>We tested compliance with the debt covenants in the year as follows:</p> <ul style="list-style-type: none"> <li>• We have checked that the calculation for available cash flow is in line with the definition as set out in the securitisation agreement and we have agreed the nominal amounts to the audited deconsolidated trial balance. We have agreed the debt service cost to the underlying audited interest schedules. We have recalculated the DSCR to confirm the company is compliant with this ratio at the year-end date.</li> <li>• We have agreed the carrying value of UPPL fixed assets to the underlying audited fixed assets schedules and have agreed the value of the securitised debt to the underlying audited debt schedules in order to re-calculate the net worth of UPPL and confirm the amount is above that required by the net worth financial covenant.</li> </ul> <p>We tested the forecast compliance with the debt covenant ratios as follows:</p> <ul style="list-style-type: none"> <li>• We inspected the quarterly covenants tests included in the base budgets for the 3 year base budget period, which are presented to and approved by the Board, to check that compliance with covenants is expected to continue for a period of at least 12 months from the date of these financial statements.</li> <li>• We have recalculated the DSCR and net worth ratios as at December 2018.</li> <li>• We have performed sensitivity analysis in order to determine the decrease in available cash flow or the increase in debt service costs required to cause a breach in the DSCR covenant, as at the end of each base budget period. We have evaluated whether such movements are likely based on historic performance of UPPL and the securitisation.</li> <li>• We have recalculated the level of headroom on the net worth requirement as at the end of each base budget period. We have evaluated whether the increase in net worth assumed over the base</li> </ul>

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE UNIQUE PUB FINANCE COMPANY PLC (CONTINUED)

budget period is consistent with our expectation which is based on the amortisation profile of the securitised debt.

We have assessed the historical accuracy of the base budgets to determine the extent to which the forecasts may be inaccurate by:

- Calculating the variance between the 2018 budget and 2018 actuals for beer volumes, segment margins, gross profit, EBITDA and operating profit.
- Calculating the variance to budget over a period of 6 years, for what management deem to be key areas, per the base budgets, which were, gross margin, property costs, net income, average pub number and net income per pub.
- We have compared 2018 actuals with 2019 budget in order to understand the key assumptions incorporated in the 2019 budget. We have assessed whether the forecast year on year movement in the number of pubs and composition of the estate is in line with our understanding of the Group's strategy.

### Key observations communicated to the Board

We concur with management's assessment that the company will be able to meet the related covenants, for a period in excess of 12 months from the date of approval of the financial statements, such that the use of the going concern assumption is appropriate.

### An overview of the scope of our audit

#### Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

#### Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

#### Materiality

*The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.*

We determined materiality for the company to be £5 million (2017: £5 million), which is 0.5% (2017: 0.5%) of Total Assets. The principal activity of the Company continues to be the provision of loan finance to Unique Pub Properties Limited in connection with its operation of pubs, and therefore a capital based materiality measure is the most appropriate basis. Total assets has been used given the external financing is fully on-lent offsetting the loan receivable. An earnings based measure would not be appropriate given the nature of the Company means it achieves negligible profit each period.

During the course of our audit, we reassessed initial materiality and note there was no change in our final materiality from our original assessment at planning.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE UNIQUE PUB FINANCE COMPANY PLC (CONTINUED)

### **Performance materiality**

*The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.*

On the basis of our risk assessments, together with our assessment of the company's overall control environment, our judgement was that performance materiality was 75% (2017: 75%) of our planning materiality, namely £3.4m (2017: £3.7m). We have set performance materiality at this percentage due to the fact there have been no errors in previous year audits and our assessment of the Group's overall control environment.

### **Reporting threshold**

*An amount below which identified misstatements are considered as being clearly trivial.*

We agreed with the Board that we would report to them all uncorrected audit differences in excess of £0.23m (2017: £0.25m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

### **Other information**

The other information comprises the information included in the Report and Accounts, 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' reports 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 company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE UNIQUE PUB FINANCE COMPANY PLC (CONTINUED)

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 7, 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 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 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.

### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the debt covenants in place as part of the securitisation regulations and details of work performed are listed in the key audit matters section above.
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (FRS 101 and Companies Act 2006).
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where they considered there was susceptibility to fraud. In addition, we also performed specific procedures including testing manual journals.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE UNIQUE PUB FINANCE COMPANY PLC (CONTINUED)

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations that we considered could result in a material misstatement of the financial statements. Our procedures included reading board minutes to identify any non-compliance with laws and regulations, and enquiries with management and the company secretary.

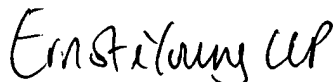
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### **Other matters we are required to address**

- We were appointed by the company at the AGM to audit the financial statements for the year ending 30 September 2004 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments is 14 years, covering the years ending 30 September 2004 to 30 September 2018.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee.

### **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.



Christopher Voogd (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Birmingham

28 January 2019

# The Unique Pub Finance Company PLC

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## INCOME STATEMENT

Year ended 30 September 2018

	Note	2018 £000	2017 £000
Finance income	6	61,423	66,535
Finance costs	7	(61,326)	(66,430)
Net finance income		97	105
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>97</b>	<b>105</b>
Taxation	9	(19)	(25)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<b>78</b>	<b>80</b>

All of the operations of the Company are continuing.

There are no recognised gains and losses for the year other than the profit of £78,000 (2017: £80,000) and therefore no separate statement of other comprehensive income is presented.

# The Unique Pub Finance Company PLC

## BALANCE SHEET At 30 September 2018

	Note	2018 £000	2017 £000
<b>Non-current assets</b>			
Financial assets	12	819,603	908,525
		<b>819,603</b>	908,525
<b>Current assets</b>			
Other receivables	10	750	620
Financial assets	12	84,484	80,958
Cash		1,392	1,295
		<b>86,626</b>	82,873
<b>Total assets</b>		<b>906,229</b>	991,398
<b>Current liabilities</b>			
Other payables	11	(540)	(391)
Financial liabilities	12	(84,497)	(80,971)
		<b>(85,037)</b>	(81,362)
<b>Non-current liabilities</b>			
Financial liabilities	12	(819,603)	(908,525)
		<b>(819,603)</b>	(908,525)
<b>Total liabilities</b>		<b>(904,640)</b>	(989,887)
<b>Net assets</b>		<b>1,589</b>	1,511
<b>Equity</b>			
Ordinary shares	13	-	-
Profit and loss account		1,589	1,511
<b>Total equity</b>		<b>1,589</b>	1,511

Approved by the Board and signed on its behalf by:

N R Smith  
Director  
24 January 2019





# The Unique Pub Finance Company PLC

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## STATEMENT OF CHANGES IN EQUITY

At 30 September 2018

	Share capital	Profit and Loss Account	Total
	£000	£000	£000
At 1 October 2016	-	1,431	1,431
Retained profit for the year	-	80	80
At 30 September 2017	-	1,511	1,511
Retained profit for the year	-	78	78
At 30 September 2018	-	1,589	1,589

# The Unique Pub Finance Company PLC

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## NOTES TO THE ACCOUNTS

At 30 September 2018

### 1. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH FRS 101

The financial statements were approved by the Board on 24 January 2019.

The financial statements were prepared in accordance with the policies set out under the basis of preparation (see note 2). The financial statements are prepared under the historical cost convention, in accordance with the Companies Act 2006 and on a going concern basis.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 30 September 2018. The financial statements are prepared in Sterling and are rounded to the nearest thousand pounds (£000s).

### 2. BASIS OF PREPARATION

The Company continues to adopt FRS 101 and has applied the requirement of SI 2015/980: The Companies, Partnerships and Groups (Accounts and Reports Regulations 2015) in preparing the accounts.

The Company has taken advantage of the following disclosure exemptions under FRS 101 in the preparation of these financial statements:

- The requirements of IFRS 7 Financial Instruments: Disclosure
- The requirements of IAS 1 Presentation of Financial Statements to disclose information about capital and how it is managed
- The requirements of IFRS 13 Fair Value Measurement to disclose information in respect of the basis of fair values adopted
- The requirements of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to provide information about the impact of IFRS's that have been issued but are not yet effective
- The requirements of IAS 7 Statement of Cash Flows
- The requirements of IAS 24 Related Party Transactions to disclose transactions entered into between two parties within the same group

The Company is a public company limited by shares, incorporated in England and registered at 3 Monkspath Hall Road, Solihull, West Midlands. It is a wholly, indirectly, owned subsidiary of Ei Group plc, a company registered at the same address. The financial statements present information about the Company as an individual undertaking. Unique Pub Finance Company PLC is included within the consolidated accounts of Ei Group plc.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The directors consider that the accounting policies set out below are suitable, have been consistently applied unless otherwise stated.

#### **Judgements and key sources of estimation uncertainty**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for income and expenses during the period.

Given the primary purpose of the Company is to raise finance which is on-loaned to Unique Pub Properties Limited, the principal judgement made in the preparation of these financial statements is whether the Company meets the definition of a financial institution in FRS 101. In the judgement of the directors the Company does not meet the definition of a financial institution in FRS 101 because it is not the intention of the Group to create wealth through the loan structure that incorporates the on-loan of the Securitisation to Unique Pub Properties Limited.

The Company applies estimation in assessing the recoverability of the intercompany loan by considering the cash flows and net position of Unique Pub Properties Limited.

The Company also applies estimation in forecasting future compliance with the debt covenants as part of the going concern assessment.

# The Unique Pub Finance Company PLC

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## NOTES TO THE ACCOUNTS

At 30 September 2018

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Financial instruments

##### a) Cash and cash equivalents

Cash comprises cash at bank and in hand. Any short-term deposits with an original maturity date of three months or less are classified as cash equivalents.

##### b) Borrowings

Borrowings which include intercompany loans are measured at amortised cost. This method is used to ensure that the interest charge associated with the debt, combined with the amortisation of the issue costs, premiums and discounts, represents a constant percentage of the borrowings across the life of the instrument based on the estimated cash flows and the contractual terms of the agreement.

When borrowings are refinanced the Group reviews whether the arrangement constitutes an extinguishment of the original financial liability and the recognition of a new financial liability or a modification of the terms of the existing financial liability. If the refinanced borrowings are accounted for as an extinguishment of the original financial liability any costs or fees incurred are recognised as part of the gain or loss on the extinguishment and written off through non-underlying finance costs. If the refinanced borrowings are accounted for as a modification any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining life of the modified loan.

##### c) Equity instruments

Equity instruments, being ordinary shares issued by the Company, are recorded at the fair value of the proceeds received, net of any direct issue costs. The nominal value of shares issued is recorded in called up share capital and the balance of the net proceeds is recorded in share premium.

##### d) Preference shares

Preference shares have been disclosed as a financial liability within the financial statements and any preference dividends are classified as interest payable.

##### e) Trade receivables and trade payables

Trade receivables and trade payables are held at amortised cost.

#### Taxation

The tax expense comprises both the tax payable based on taxable profits for the year and deferred tax. Deferred tax is provided using the balance sheet liability method in respect of temporary differences between the carrying value of assets and liabilities for accounting and tax purposes. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. No deferred tax is recognised if the taxable temporary difference arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Current tax assets and liabilities are offset where there is a legally enforceable right to set off the recognised amounts and the intention is to either settle on a net basis or realise the asset and liability simultaneously. Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and the assets and liabilities relate to taxes levied by the same tax authority which are intended to be settled net or simultaneously.

Tax is charged or credited to Other Comprehensive Income if it relates to items that are charged or credited to Other Comprehensive Income. Similarly tax is charged or credited directly to equity if it relates to items charged or credited directly to equity. Otherwise tax is charged in the Income Statement. Tax is calculated using tax rates enacted or substantively enacted at the Balance Sheet date.

# The Unique Pub Finance Company PLC

## NOTES TO THE ACCOUNTS

At 30 September 2018

### 4. DIRECTORS' REMUNERATION

During the current and prior year the directors' roles within the Company are deemed to be incidental to the wider roles within the Group and therefore there is no directors' remuneration in relation to the Company. The Company bears no cost in relation to these directors.

### 5. STAFF NUMBERS AND COSTS

The Company had no employees during the current or prior year.

### 6. FINANCE INCOME

	2018 £000	2017 £000
Bank interest receivable	2	1
Interest receivable from other group companies	61,421	66,534
Total finance income	61,423	66,535

### 7. FINANCE COSTS

	2018 £000	2017 £000
On loans repayable in less than one year	6,328	5,759
On loans repayable in more than one year but less than two years	6,674	6,046
On loans repayable in more than two years but not more than five years	21,740	20,362
On loans repayable in more than five years	26,584	34,263
Total finance costs	61,326	66,430

### 8. AUDITOR'S REMUNERATION

The audit fees of the Company for the year ended 30 September 2018 of £6,500 (2017: £6,300) are borne by another Group company.

# The Unique Pub Finance Company PLC

## NOTES TO THE ACCOUNTS

At 30 September 2018

### 9. TAXATION

#### a) Analysis of total tax expense recognised in the Income Statement

	2018 £000	2017 £000
<b>Current tax</b>		
UK Corporation tax	19	20
Adjustments in respect of prior years	-	5
Total current tax	19	25
<b>Taxation</b>	19	25

There was no deferred tax charge/(credit) in the current or prior year.

#### b) Tax charge reconciliation

	2018 £000	2017 £000
Profit before tax	97	105
Profit before tax at 19.0% (2017: 19.5%)	18	20
Effects of:		
Expenses not deductible for tax purposes	1	-
Prior year under provisions	-	5
<b>Taxation</b>	19	25

The UK Government reduced the rate of corporation tax from 20% to 17% effective by 1 April 2020. No further changes in the UK tax rate are anticipated.

# The Unique Pub Finance Company PLC

## NOTES TO THE ACCOUNTS

At 30 September 2018

### 10. OTHER RECEIVABLES

	2018 £000	2017 £000
Amounts due from Group undertakings	750	620
	<b>750</b>	<b>620</b>

### 11. OTHER PAYABLES

	2018 £000	2017 £000
Amounts due to Group undertakings	63	44
Accruals and deferred income	477	347
	<b>540</b>	<b>391</b>

### 12. FINANCIAL ASSETS AND LIABILITIES

	2018 £000	2017 £000
<b>Current assets</b>		
Loans to fellow subsidiary undertakings	84,484	80,958
<b>Non-current assets</b>		
Loans to fellow subsidiary undertakings	819,603	908,525
<b>Total financial assets</b>	<b>904,087</b>	<b>989,483</b>
<b>Current liabilities</b>		
Securitised bonds	84,484	80,958
Preference share capital	13	13
<b>Non-current liabilities</b>		
Securitised bonds	819,603	908,525
<b>Total financial liabilities</b>	<b>904,100</b>	<b>989,496</b>

# The Unique Pub Finance Company PLC

## NOTES TO THE ACCOUNTS

At 30 September 2018

### 12. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

#### (a) Financial assets

The above loans to fellow subsidiary undertakings were made to Unique Pub Properties Limited ("UPPL"), the principal terms of which are as follows:

Loan	Expiry date	2018 £000	2017 £000
A3 Loan 6.552%	March 2021	167,831	227,932
A4 Loan 5.669%	June 2027	321,256	346,551
M Loan 7.405%	March 2024	225,000	225,000
N Loan 6.474%	March 2032	190,000	190,000
		904,087	989,483

The A3, A4, M and N loans are used as security pursuant to the Issuer Deed of Charge dated 25 February 2005 entered into by the Company (Issuer), UPPL and Ei Group plc (as Cash Manager).

This security incorporates a first fixed charge in favour of the Trustee (for itself and on trust for the loan note holders and the other Issuer Secured Creditors) over the Issuer's right, title, interest and benefit, present and future to all properties, cash, eligible investments and income generated by UPPL.

The following table shows the repayment profile of the loans to a fellow subsidiary:

	2018 £000	2017 £000
In one year or less	84,484	80,958
In more than one year but not more than two years	88,814	84,768
In more than two years but not more than five years	309,053	289,718
Repayable in more than five years	421,736	534,039
	904,087	989,483

All of the above loans are borrowed at a fixed rate.

#### Fixed rate loan weighted averages

	2018	2017
Interest rate	6.36%	6.38%
Time for which rate is fixed (years)	5	6

# The Unique Pub Finance Company PLC

## NOTES TO THE ACCOUNTS

At 30 September 2018

### 12. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

#### (b) Financial liabilities

The principal terms of the securitised bonds are as follows:

Bond	Expiry date	2018 £000	2017 £000
A3 Bond 6.542%	March 2021	167,831	227,932
A4 Bond 5.659%	June 2027	321,256	346,551
M Bond 7.395%	March 2024	225,000	225,000
N Bond 6.464%	March 2032	190,000	190,000
		904,087	989,483

The Issuer's obligations under the A3, A4, M and N bonds are secured pursuant to the Issuer Deed of Charge dated 25 February 2005 entered into by the Unique Pub Finance Company PLC (Issuer), Unique Pub Properties Limited ("UPPL") and Ei Group plc (as Cash Manager).

This security incorporates a first fixed charge in favour of the Trustee (for itself and on trust for the bond holders and the other Issuer Secured Creditors) over the Issuer's right, title, interest and benefit, present and future to all properties, cash, eligible investments and income generated by UPPL.

The bonds are listed on the Bourse de Luxembourg.

The Company purchases or issues financial instruments in order to finance its operations and to manage the interest rate and currency risks that arise from those operations and from its sources of finance. In addition, various financial balances arise directly from the Company's operations.

The Company finances its operations through a mixture of retained profits and bonds.

The Company does not trade in financial instruments.

As the Company has no foreign currency instruments and has no plans to obtain such instruments, the main risks arising from the Company's financial instruments are interest rate risk, liquidity risk, credit risk and financial covenant risk and the Company's policies for managing these risks are summarised below.

#### Interest rate risk

The Company finances its operations through a mixture of retained profits and long-term borrowings. The Company borrows at fixed rates of interest but only in sterling.

While the interest rate characteristics of new borrowings are positioned according to expected movements in interest rates, the Company seeks to avoid exposure to unfavourable interest rate movements.

The Company's policy is to keep a significant proportion of its borrowings at fixed rates of interest: at 30 September 2018, 100% of the Company's borrowings were at fixed rates (2017: 100% fixed).

As at 30 September 2018 and 2017, the Company has no net exposure to interest rate fluctuations.



# The Unique Pub Finance Company PLC

## NOTES TO THE ACCOUNTS

At 30 September 2018

### 12. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

#### Liquidity risk

It is the Company's policy to borrow for the long-term. At 30 September 2018 47% (2017: 54%) of the Company's borrowings were repayable in more than five years with the option to redeem early subject to the maintenance of various covenants and early settlement penalties.

The exposure to liquidity risk in respect of the Securitisation is managed on a group basis by a liquidity facility held in other Group Companies. The liquidity facility is a renewable committed facility of £152 million for a term of 364 days. The liquidity facility is available to meet certain payment obligations falling due in the Unique Securitisation to the extent that insufficient funds are received to meet such payments. The liquidity facility is due for renewal on 20 September 2019.

#### Credit risk

The main debtor balance is intra group and secured on the underlying assets and trade of the borrower UPPL and therefore the directors consider the risk to be low.

#### Financial covenant risk

There are two covenants that relate to the Unique Securitisation which are tested at each quarter end and are based solely around the assets held within the Unique Securitisation, which are predominantly held in UPPL. There is a net asset covenant and a debt service cover covenant.

Throughout the year the Company tests all of the financial covenants and forecasts are prepared during the budgeting process. The Board regularly reviews detailed financial forecasts to ensure there is sufficient headroom on all covenants and this is monitored by a variety of measures which are reported to debt providers on a quarterly basis. The Board is satisfied that there is sufficient headroom on all financial covenants as at 30 September 2018 and on financial forecasts for a period of at least 12 months from the date of approval of these financial statements.

The following table shows the repayments profile of the bonds as at 30 September:

	2018 £000	2017 £000
In one year or less	84,484	80,958
In more than one year but not more than two years	88,814	84,768
In more than two years but not more than five years	309,053	289,718
Repayable in more than five years	421,736	534,039
	904,087	989,483

All of the above loans are borrowed at a fixed rate.

#### Fixed rate bonds weighted averages

	2018	2017
Interest rate	6.35%	6.37%
Time for which rate is fixed (years)	5	6

# The Unique Pub Finance Company PLC

## NOTES TO THE ACCOUNTS

At 30 September 2018

### 12. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The book values and fair values of the A3, A4, M and N bonds are shown below. The fair value information was obtained from J C Rathbones and is based on the market values.

	2018 Book value £000	2018 Fair value £000	2017 Book value £000	2017 Fair value £000
A3 bond	167,831	176,477	227,932	247,440
A4 bond	321,256	355,913	346,551	393,683
M bond	225,000	249,750	225,000	258,887
N bond	190,000	185,357	190,000	187,467
	904,087	967,497	989,483	1,087,477

The Company's securitised bonds are repayable as follows:

A3 bond	December 2013 - March 2021
A4 bond	September 2013 – June 2027
M bond	June 2021 – March 2024
N bond	September 2027 – March 2032

#### Preference share capital

The holders of Cumulative Redeemable Preference shares are entitled to a fixed cumulative dividend of 11% per annum accruing on a daily basis. The holders of Cumulative Redeemable Preference shares are not entitled to any further right of participation in the profits of the Company.

On a return of assets on liquidation, reduction of capital or otherwise, the surplus assets of the Company after payment of its liabilities shall be applied in paying all arrears and accruals of preference dividends, then in repaying the holders of Cumulative Redeemable Preference shares the paid up nominal amounts of such shares and any balance being distributed amongst ordinary shareholders.

The Company may at any time redeem Cumulative Redeemable Preference shares at paid up nominal value together with any arrears and accruals of preference dividend.

The holders of Cumulative Redeemable Preference shares have no voting rights at meetings.

# The Unique Pub Finance Company PLC

## NOTES TO THE ACCOUNTS

At 30 September 2018

### 13. SHARE CAPITAL

	2018		2017	
	No.	£	No.	£
<b>Authorised</b>				
Ordinary shares of 1p each	100	1	100	1
<b>Called up, allotted and fully paid</b>				
Ordinary shares of 1p each	2	-	2	-

Ordinary shares carry no rights to fixed income. Holders of ordinary shares are entitled to vote at meetings.

No dividends have been declared or paid during the year ended 30 September 2018.

In addition, the Company has 50,000 cumulative redeemable preference share of £1 each, all of which are issued and have been paid up to 25 pence each. These preference shares are disclosed as financial liabilities in note 12.

### 14. PARENT UNDERTAKING AND CONTROLLING PARTY

The Company's immediate parent undertaking is Unique Pub Investments Limited, a company incorporated in the United Kingdom and registered in England and Wales. The Company's ultimate and controlling parent undertaking is Ei Group plc, a company incorporated in the United Kingdom and registered in England and Wales. Copies of the Group accounts, which include the Company, may be obtained from 3 Monkspath Hall Road, Solihull, West Midlands, B90 4SJ. This is also the registered address of The Company.

### 15. POST BALANCE SHEET EVENT

On 10 January 2019 the Group of which the Company is a part entered into a sale agreement, subject to Shareholder approval, in relation to 370 properties for expected gross aggregated cash consideration of £348 million.

Approximately £180 million of net proceeds will be generated from the sale of properties within the Unique Securitisation and will therefore be used in part repayment of the securitised loans and meeting the associated costs.