Greene King Finance plc

Annual Report and Financial Statements

26 April 2020

Registered number: 5333192

Company information

Directors	L.D.C. Securitisation Director No.3 Limited L.D.C. Securitisation Director No.4 Limited M H Filer
Company secretary	Law Debenture Corporate Services Limited
Registered number	5333192
Registered office	Fifth Floor 100 Wood Street London EC2V 7EX
Auditor	Ernst & Young LLP 1 More London Place London SE1 2AF

Strategic report

The directors present their Strategic report for the 52 week period ended 26 April 2020.

Business review and future outlook

The principal activity of the company during the period continued to be to issue bonds and lend the proceeds to other entities within the Greene King Limited group for the purpose of enabling the securitisation of a proportion of the Greene King Limited group's estate. The borrower pays the company interest on the notes plus a fixed margin of 0.01%. The company has not engaged in any other activity since incorporation and no future changes to its principal activity are envisaged.

The loss after tax and interest was £90,484,000 (2019: £177,000).

During the period the company fully repaid the £75,324,000 Class A1 and £21,364,000 Class A3 secured bonds issued by Greene King Finance plc and terminated the corresponding interest rate swap contacts. . The company was reimbursed for these costs, as dictated in the back-to-back funding agreement with Greene King Retailing Limited. Due to the back-to-back funding agreements these transactions will have no material impact on the net assets of the company nor on the profit of the company.

On 19th August 2019, the boards of CK Noble (UK) Limited ("CK Bidco"), a wholly owned subsidiary of CK Asset Holdings Limited ("CKA"), a Cayman Islands company listed on the Hong Kong Stock Exchange and Greene King plc ("Greene King") reached agreement on the terms of a recommended cash offer by CK Bidco for the entire issued and to be issued share capital of Greene King, not already owned by or on behalf of the CKA group.

The acquisition was implemented by way of a scheme of arrangement which took place on 30 October 2019, and on 31 October 2019 Greene King plc was re-registered as a private limited company with the name Greene King Limited.

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.
A full account of the group's response to the crisis is documented in Greene King Limited financial statements, with the key elements 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.

- 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.

- Cash preservation measures including taking full advantage of the government's Coronavirus Job Retention Scheme, 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.

- Following government guidelines and the introduction of our PUBSAFE promise 1,212 of the managed estate in the group was re-opened on Monday 6 July 2020, along with the majority of Pub Partner sites over that weekend. A further [x] pubs opened at the end of July. Of the 1,212 managed pubs re-opened on Monday 6 July 2020, 603 were included in the Securitised Group.

Impact on the financial statements

Although the company satisfied debt covenants for the year ending 26 April 2020, the loss of trade from this period is likely to result in a breach by September 2020, for which a waiver has been obtained. The company is reliant on a letter of support from the parent company, Greene King Limited, which discloses that 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.

The additional impact from COVID-19 on the expected credit loss has been discussed in note 1 and note 13.

Principal risks and uncertainties

During the last quarter of the financial 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 faced by the company relate to its use of financial instruments. The principal risks from the company's financial instruments are interest rate risk, liquidity risk, credit risk and capital risk.

Interest rate risk

Exposure to changes in interest rates on the company's borrowings is reviewed with regard to the maturity profile and cash flows of the underlying debt. The company 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 company's policy is to keep 100% of its variable rate bond finance at fixed rates of interest to mitigate the interest rate risk, this is done through the use of interest rate swaps. At the period end 100% of variable rate bond finance was fixed after taking account of interest rate swaps.

Certain of the company's financial instruments reference LIBOR and, in light of the expectation that LIBOR will cease to be available from the end of 2021, the company 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 company.

The company has entered into "back to back" interest rate swap arrangements internally with Greene King Retailing Limited and externally with financial institutions covering 100% of the variable interest rate exposure. Therefore, the impact of any changes in interest rates on the fair values of its financial instruments would directly offset and have no impact on the company's loss before tax or shareholders' funds.

Liquidity risk

The Directors' report and notes 12 and 13 describe the financial position of the company, its liquidity position and borrowing facilities, and includes the company's financial risk management policies; details of its financial instruments; and its exposures to credit and liquidity risk. Additionally, the company has access to a £224.0m (2019: £224.0m) liquidity facility as detailed in note 12.

The company mitigates liquidity risk by ensuring that the maturity profile of amounts receivable on term loans with group companies is matched exactly against the maturity profile of amounts payable on bond finance.

Credit risk

Financial assets include term loans, derivative financial instruments, interest receivable and cash and cash equivalents. Credit risk is the risk of default by the counterparty to discharge their obligation and the maximum exposure of the company is the carrying amount of these instruments. The credit risk on cash and cash equivalents is limited by investment with banks and financial institutions with high credit ratings assigned by international credit agencies.

The term loans consist of amounts receivable from Greene King Retailing Limited, a significant subsidiary of Greene King Limited group, and are secured against pubs in the Greene King estate. Given the length of time the pubs were closed 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 Free Cash Flow Debt Service Coverage Ratio "FCF DSCR" covenants relating to the secured bonds.

As the company could become reliant upon continued waiver of debt covenant, the company has recognised a significant increase in the risk of default within its assessment of expected credit loss on the term loans (see note 13 for further considerations).

Capital risk

The company's capital structure is made up of loan notes, issued share capital and reserves. The company is able to generate sufficient returns to service the debt. Debt is monitored by a variety of measures which are reported to debt providers on a quarterly basis.

Key performance indicators

The borrower pays the interest on the notes plus a fixed margin of 0.01% and therefore the group's key performance indicator is considered to be profit before taxation before applying the expected credit loss model of £7,000 (2019: £7,000).

The operations of Greene King Finance plc are managed at the Greene King Limited group level and the directors therefore believe that disclosure of other key performance indicators for the company are not appropriate to understand the performance or position of the business. The performance of Greene King Limited group is discussed in the Greene King Limited annual report and financial statements which are publicly available.

Directors' statement of compliance with duty to promote the success of the company

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

The directors of the Company have at all times during the year under review (and at all other times) acted in the way that they considered, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so had regard (amongst other matters) to:

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

Engaging with stakeholders

The company was incorporated as a special purpose financing vehicle to issue bonds on behalf of the Greene King Securitisation financing vehicle, therefore the company's key stakeholder is the debt holders. Greene King Limited group has control of the entity and all decisions affecting the company are filtered down from group, based on the group-wide strategy. As the directors of the company are different from those of Greene King Limited group, they are kept informed of all decisions made at group-level that will affect the company.

The company has bonds listed on the Irish Stock Exchange and due to the nature of listed debt, bondholders are wide ranging. Since the identity of the bondholders is largely unknown, engagement with bond holders is dependent on them approaching the company. Due to control of the company residing with Greene King Limited, at the direction of Greene King Limited the directors of the company have made a number of announcements to bondholders during the Covid-19 pandemic on the impact of the enforced pub closures, and conversations have been held with some principal bondholders in this regard.

During the year the directors of Greene King Retailing Limited elected to repay the Class A1 and the Class A3 secured term loans at par and terminated the corresponding interest rate swaps in line with the wider Greene King group's strategy to strengthen its capital structure. In accordance with the terms and conditions of the Securitisation, the A1 and A3 bonds and external swaps were settled in line with these repayments.

This report was approved by the board on 20 AUGUST 2020 and signed on its behalf.

M Filer
Director

Directors' report

The directors present their annual report and financial statements for the 52 week period ended 26 April 202026 April 2020.

Results and dividends

The loss after tax and interest was £90,484,000 (2019: £177,000).

Directors and their interests

The directors during the period and to the date of this report were as follows:

L.D.C. Securitisation Director No. 3 Limited
L.D.C. Securitisation Director No. 4 Limited
M H Filer

None of the directors held any interest in the share capital of the company during either the current or prior periods.

Indemnity provision / directors' liabilities

The directors do not have directors' and officers' liability insurance cover.

Corporate governance statement

In accordance with the requirements of Disclosure and transparency rules (DTR) 7.2 *Corporate Governance Statements*, a corporate governance statement must be included within the Directors' report. The company is exempt from a number of these requirements as under DTR 1B.1.6 the rules of DTR 7.2.2, DTR 7.2.3, DTR 7.2.7 and DTR 7.2.8A do not apply as the company has no issued shares which are admitted to trading. However, included below is a description of the key features of the company's internal control and risk management systems in relation to the financial reporting process:

- Board review and approval of financial statements; and

- Transactions and balances are recognised and measured in accordance with the prescribed accounting policies and transactions are reviewed and reconciled as part of the reporting process.

Future developments

The directors have obtained approval from bondholders of a waiver in respect of the Q1 FCF DSCR covenants, which was obtained on 15 July 2020. At the time of signing the financial statements it is not known whether the Q2 FCF DSCR covenant will be met due to the uncertain level of demand in the pubs.

However, given the approval of the waiver in relation to Q1 and as a result of discussions with bondholders, the directors do not anticipate the debt being re-called.

The board of Greene King Limited group will continue to support the business through this difficult trading period.

Financial instruments

The primary treasury objectives of the company 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 company. If appropriate, the company uses financial instruments and derivatives to manage these risks.

The principal financial instruments held for the purpose of raising funds for operations are securitised bonds, cash and short-term deposits. Other financial instruments arise directly from the operations of the company, such as accrued interest receivable, other creditors and term loans.

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

Further details on risks and uncertainties on the use of financial instruments are set out in the Strategic report and note 13 to the financial statements.

Going concern

The company has issued bonds and lent the proceeds to other entities within the Greene King Limited group for the purpose of enabling the securitisation of a proportion of the Greene King Limited group's estate.

At 26 April 2020, the bonds had a carrying value of £1,435.8m (2019: £1,586.9m) and an average life of nine years (2019: nine years). The bonds are secured against 1,491 pubs (2019: 1,539 pubs) owned by Greene King Retailing Limited with a carrying value of £2.1bn (2019: £2.2bn).

The company receives quarterly trading updates from Greene King Retailing Limited's parent company, Greene King Retailing Parent Limited, which are reviewed by the directors of the company to assess its ability to meet their obligations to Greene King Finance plc. The greatest threat to the going concern principle is the impact of the Covid-19 virus outbreak in the United Kingdom ("UK"), which 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.

The additional impact from COVID-19 on the expected credit loss has been discussed in note 1 and note 13.

The Greene King Limited annual report and financial statements includes a more detailed description of the group's wider business activities, together with the factors likely to affect its future development, performance and position.

Given the length of time the pubs owned and operated by Greene King Retailing Limited have been closed the company is forecast to breach the Q1 Free Cash Flow (FCF DSCR) covenants. The directors of Greene King Limited have sought to obtain approval from bondholders of certain waivers and on 15 July 2020 obtained a waiver in respect of these Q1 FCF DSCR covenants. As a result of this waiver, and with the reopening of pubs on 6 July 2020, the directors do not anticipate the debt being re-called.

At the balance sheet date, the company had net liabilities of £91,908,000 and net current liabilities (excluding debtors: amounts falling due after more than one year) of £2,381,000. This net liability position has arisen due to the requirement to make an expected credit loss provision on implementation of IFRS 9. Greene King Limited has confirmed that it will provide the necessary financial support for at least 12 months from the approval of these financial statements to enable the company to meet its liabilities as they fall due.

The Greene King Retailing Parent Limited group is a significant part of Greene King Limited group and therefore the directors of the company have reviewed Greene King Limited group's forecast and projections as reported in the Greene King Limited annual report and financial statements as part of the overall assessment.

The directors of Greene King Limited have assessed the potential impact of the Covid-19 pandemic as part of their going concern assessment of the Greene King Limited group. In doing so, the Greene King Limited directors have modelled a worst-case scenario that assumes the Group's pubs remain closed for the entire 12 month going concern period. Under this worst-case basis, the Greene King Limited 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. Given the length of time the pubs have been closed the Greene King Limited group is forecast to breach certain financial covenants on both its long-term asset-backed financing vehicles during the period of assessment.

The directors of Greene King Limited 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 of Greene King Limited have made a significant judgement in respect of the continued availability of its 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. The directors of Greene King Limited concluded that this significant judgement represents a material uncertainty that may cast significant doubt on the group's ability to continue as a going concern.

The directors of the company have made appropriate enquiries of the directors of Greene King Limited to confirm that they are satisfied that the financial support will be available and accordingly continue to prepare the financial statements on a going concern basis. However, given the material uncertainty declared in Greene King Limited's financial statements noted above, the directors of the company have also concluded there is a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern. These financial statements do not contain the adjustments that would result if the company was unable to continue as a going concern.

In addition, the directors of the company have also made a significant judgement in respect of the continued availability of its long-term asset-backed financing 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 second material uncertainty that may cast significant doubt on the group's ability to continue as a going concern.

On this basis, the directors continue to prepare the financial statements on a going concern basis.

Post balance sheet events

On 6 July 2020, the Greene King Limited group re-opened 1,212 of its managed pubs following government guidelines and the introduction of our PUBSAFE promises. The majority of the remaining one third of the managed estate followed in a second phase during July 2020. The group will 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. Of the 1,212 managed pubs re-opened on Monday 6 July 2020, 603 were included in the Securitised Group.

On 15 July 2020 they obtained a waiver for the anticipated breach of FCF DSCR covenants for Q1 of the following financial year.

There are no other post balance sheet events requiring disclosure in the financial statements.

Statement as to disclosure of information to auditor

The directors who were members of the board at the time of approving this report are listed above. Having made enquires of fellow directors and of the company's auditor, each of these 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 company following the completion of these financial statements. 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.

This report was approved by the board on 20 AUGUST 2020 and signed on its behalf.

M Filer
Director

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial period. 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 Financial Reporting Standard 101 'Reduced disclosure framework'. 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 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 judgements and accounting estimates that are reasonable and prudent;
- in respect of the 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 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.

The directors of Greene King Finance plc are listed on page 2.

M Filer
Director

Independent auditor's report to the members of Greene King Finance plc

OPINION

We have audited the financial statements of Greene King Finance plc for the 52 weeks ended 26 April 2020 which comprise the income statement, the balance sheet, the statement of changes in equity and the related notes 1 to 17, 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 26 April 2020 and of its loss for the 52 weeks 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.

MATERIAL UNCERTAINTIES RELATED TO GOING CONCERN

We draw attention to Note 1 in the financial statements, which describes the impact of COVID-19 on the company and material uncertainties relating to the continued availability of the company's long-term asset-backed financing in the knowledge that this could be reliant upon continued waiver of debt covenants which are forecast to be breached and the parent company's ability to provide continued financial support to the company during the period of assessment.

As stated in Note 1, these events or conditions, indicate that material uncertainties exist 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.

We describe below how our audit responded to the risk relating to going concern:

The audit engagement partner increased his time directing and supervising the audit procedures on going concern and understanding the latest position with respect to funding arrangements.

Our work focussed on the expected covenant breaches and the ability of the group parent, Greene King Limited, to provide financial support in the event of a breach.

We:

- Considered the going concern position of the Greene King Limited Group by assessing the budget and sensitivity (worst case) scenario and the alternative funding options available to them to confirm the ability of the company to rely on the letter of support from Greene King Limited;
- checked the inputs and calculations of management's forecasts of the Company's covenant compliance over the going concern period;
- read the terms of the bonds to confirm our understanding of the consequences of a breach of covenants;
- obtained supporting evidence of the outcome of voting by loan note holders regarding the forecast covenant breaches and waiver sought;
- confirmed the Group's resources available to service the interest cashflows for the full term of the going concern period.

We challenged management's disclosures in the Strategic report, Directors' report and financial statements to ensure adequate prominence and disclosure of the material uncertainty.

OVERVIEW OF OUR AUDIT APPROACH

Key audit matter	• Recoverability of debtor balances from other group undertakings • Repayment of bond finance in the year
Materiality	• Overall materiality of £7.5m which represents 0.5% of total assets

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	Our response to the risk	Key observations communicated to the Board of Directors
Recoverability of the debtor balances from other group undertakings (2020: £1,506.0m; 2019: £1,722.5m) We have identified the above risk as a significant risk since the ability for the counterparties to repay the amounts due is dependent upon their financial position. *Accounting policies (pages 18-20); and Note 8 of the Financial Statements (page 22).*	We have assessed the recoverability of the debtor balances through the performance of the following procedures: • We agreed the outstanding debtor account balances recorded in the accounting records of the company to the financial statements of each of the counterparties; • We compared the debtor account balances against our audit expectations to identify changes in expected cash flows that might indicate an increase in credit risk; • We assessed whether there was evidence of credit-impairment by reviewing the cash flow forecasts and value of the collaterals; and • We challenged the appropriateness of the company's assessment of the expected credit loss allowance, including the use of a lifetime loss allowance and the estimates of probability of default and loss given default applied.	As a result of the procedures performed, we concur with management's assessment of recoverability and have not identified intercompany debtor balances being materially misstated.
Repayment of bond finance in the year The company settled £96.7m of bond finance and terminated £16.6m of related interest rate swaps during the year. We have identified the repayments as an area of audit focus due to complexities in the underlying accounting for bonds and due to the magnitude of the balance. *Accounting policies (pages 18-20); and Notes 10,11 and 12 of the Financial Statements (pages 23, 24 and 25).*	We have designed procedures to address the risk identified: - We confirmed the settlement of the bond finance on the Euronext Dublin market. - We have confirmed settlement of interest rate swaps. - We inspected bank statements to verify the value of the full repayments. - We have reviewed the interest rate workings to ensure appropriate calculation of the gains on early settlement of the bond finance. - We have reviewed the accuracy of the disclosure made.	As a result of the procedures performed, we have not identified any concerns relating to accounting for the repayment of the bond finance or settlement of interest rate swaps in the year.

In the prior year, our auditor's report included a key audit matter in relation to intercompany debtor recoverability as in the current year. In the current year, we have replaced the key audit matter relating to the issuance of bonds in the year which has not recurred, with a key audit matter in relation to the repayment of bond finance in the year.

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 £7.5 million (2019: £8.6 million), which is 0.5% (2019: 0.5%) of total assets. We used total assets as the basis for the materiality as the company's ability to pay its debt is obligations from finance raising activity is driven by its ability to collect its outstanding debtors, which are the principal assets of the company.

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% (2019: 75%) of our planning materiality, namely £5.6m (2019: £6.5m). We have set performance materiality at this percentage as we have not identified any issues during the prior year and there have been no material changes to the company in the current year.

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

We agreed with the Board of Directors that we would report to them all uncorrected audit differences in excess of £0.3m (2019: £0.4m), 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 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 period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report has 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.
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, 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 legal and regulatory frameworks that are applicable to the company and determined that the most significant are Companies Act 2006, Rules and Regulations of the Luxembourg Stock Exchange, Financial Conduct Authority's Disclosure Guidance and Transparency Rules and the relevant tax compliance regulations in the jurisdictions in which the company operates.
- We understood how Greene King Finance plc is complying with those frameworks by making enquiries of management, internal audit, those responsible for legal and compliance procedures and the group company secretary. We corroborated our enquiries through the attendance at meetings held by the Board of Directors of Greene King Limited, which receives updates on such matters from divisional and functional management. As well as enquiry and attendance at meetings, our procedures involved a review of the reporting to the Board of Directors and a review of board meetings and other committee minutes to identify any non-compliance with laws and regulations.
- 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 it considered there was susceptibility to fraud. We also considered performance targets and their propensity to influence management to manage earnings and revenue by overriding internal controls. We considered the controls that the company has established to address risks identified, or that otherwise prevent, deter and detect fraud, and how senior management monitors those controls.
- These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.

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

OTHER MATTERS WE ARE REQUIRED TO ADDRESS

- We were reappointed by the shareholders at the Annual General Meeting on 6 September 2019 and signed an engagement letter with the company on 21 April 2020 confirming the terms of appointment for the audit of the financial statements for the 52 weeks ended 26 April 2020.
- The period of total uninterrupted engagement including previous renewals and reappointments is 15 years, covering the years ending 30 April 2006 to 26 April 2020.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting the audit.
- The audit opinion is consistent with the additional report to the Board of Directors of Greene King Limited.

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, UK
Date:

21 August 2020

Income statement

for the 52 week period ended 26 April 2020

	Notes	52 weeks to 26 April 2020 £'000	52 weeks to 28 April 2019 £'000
Interest receivable and similar income	3	75,896	71,684
Interest receivable and similar income – non-underlying items	13	8,787	9,637
Total interest receivable and similar income		84,683	81,321
Interest payable and similar expenses	4	(75,889)	(71,677)
Interest payable and similar expenses – non-underlying items	13	(8,787)	(9,637)
Total interest payable and similar expenses		(84,676)	(81,314)
Other income		95	52
Impairment of financial assets	13	(90,490)	(183)
Administrative and other expenses		(95)	(52)
Loss before taxation		(90,483)	(176)
Tax on loss	7	(1)	(1)
Loss after taxation for the financial period		(90,484)	(177)

As detailed in the Statement of changes in equity, the gains and losses arising as a result of cash flow hedges are equal and opposite and therefore have no overall impact on the statement of comprehensive income. Accordingly a statement of comprehensive income has not been separately prepared.

The notes on pages 17 to 30 form part of these financial statements.

Balance sheet

as at 26 April 2020

	Notes	26 April 2020 £'000	28 April 2019 £'000
Current assets			
Debtors: Amounts falling due after more than one year	8	1,451,986	1,649,528
Debtors: Amounts falling due within one year	8	54,030	72,937
Cash at bank	9	61	55
Total assets		**1,506,077**	**1,722,520**
Current liabilities			
Creditors: amounts falling due within one year			
Interest bearing liabilities	10	(37,461)	(54,504)
Other creditors	10	(19,011)	(18,498)
Current liabilities		**(56,472)**	**(73,002)**
Net current assets		**1,449,605**	**1,649,518**
Total assets less current liabilities		**1,449,605**	**1,649,518**
Creditors: amounts falling due after more than one year	11	(1,541,513)	(1,650,942)
Net liabilities		**(91,908)**	**(1,424)**
Capital and reserves			
Called up share capital	14	13	13
Profit and loss account		(91,921)	(1,437)
Total equity		**(91,908)**	**(1,424)**

The notes on pages 17 to 30 form part of these financial statements.

The financial statements were approved and authorised for issue by the board of directors and signed on its behalf on 20 AUGUST 2020 by

M Filer
Director
Registered company: 5333192

Statement of changes in equity

For the 52 weeks period ended 26 April 2020

	Share capital £'000	Retained earnings £'000	Total equity £'000
As at 29 April 2018	13	31	44
Change in accounting policy (note 1)	-	(1,291)	(1,291)
As at 29 April 2018 (adjusted)	**13**	**(1,260)**	**(1,247)**
Comprehensive income for the financial year			
(Loss) for the financial year	-	(177)	(177)
Total comprehensive income for the financial year	-	**(177)**	**(177)**
As at 28 April 2019	**13**	**(1,437)**	**(1,424)**
Comprehensive income for the financial year			
(Loss) for the financial year	-	(90,484)	(90,484)
Total comprehensive loss for the financial year	-	**(90,484)**	**(90,484)**
As at 26 April 2020	**13**	**(91,921)**	**(91,908)**

As the fair values of the swap liabilities relating to the bond finance and the swap asset relating to the term loans are identical any transactions arising as a result of cash flow hedges on the asset and liabilities recorded through other comprehensive income will be equal and opposite and hence have no overall impact on the hedging reserve or statement of comprehensive income.

As a result, a hedging reserve and statement of comprehensive income have not been separately presented.

Losses taken to other comprehensive income in relation to the bond finance swaps amounted to £53.9m (2019: loss of £21.2m). Cash flow hedges recycled to the income statement from the statement of comprehensive income amounted to a net gain of £35.7m (2019: £20.8m).

Gains taken to other comprehensive income in relation to the swaps assets on the term loans amounted to £53.9m (2019: gain of £21.2m). Cash flow hedges recycled to the income statement from the statement of comprehensive income amounted to a net loss of £35.7m (2019: £20.8m).

The notes on pages 17 to 30 form part of these financial statements.

Notes to the financial statements
for the period ended 26 April 2020

1. Basis of preparation

Corporate information

The financial statements of Greene King Finance plc for the 52 weeks ended 26 April 2020 were authorised for issue by the board of directors on 20 AUGUST 2020. Greene King Finance plc is a public company limited by shares, incorporated and domiciled in England and Wales.

Statement of compliance

The company's financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and applicable accounting standards. The company's financial statements are presented in pounds sterling with values rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 2).

Going concern

The company has issued bonds and lent the proceeds to other entities within the Greene King Limited group for the purpose of enabling the securitisation of a proportion of the Greene King Limited group's estate.

At 26 April 2020, the bonds had a carrying value of £1,435.8m (2019: £1,586.9m) and an average life of nine years (2019: nine years). The bonds are secured against 1,491 pubs (2019: 1,539 pubs) owned by Greene King Retailing Limited with a carrying value of £2.1bn (2019: £2.2bn).

The company receives quarterly trading updates from Greene King Retailing Limited's parent company, Greene King Retailing Parent Limited, which are reviewed by the directors of the company to assess its ability to meet their obligations to Greene King Finance plc. The greatest threat to the going concern principle is the impact of the Covid-19 virus outbreak in the United Kingdom ("UK"), which 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.

The additional impact from COVID-19 on the expected credit loss has been discussed in note 1 and note 13.

The Greene King Limited annual report and financial statements includes a more detailed description of the group's wider business activities, together with the factors likely to affect its future development, performance and position.

Given the length of time the pubs owned and operated by Greene King Retailing Limited have been closed the company is forecast to breach the Q1 Free Cash Flow (FCF DSCR) covenants. The directors of Greene King Limited have sought to obtain approval from bondholders of certain waivers and on 15 July 2020 obtained a waiver in respect of these Q1 FCF DSCR covenants. As a result of this waiver, and with the reopening of pubs on 6 July 2020, the directors do not anticipate the debt being re-called.

At the balance sheet date, the company had net liabilities of £91,908,000 and net current liabilities (excluding debtors: amounts falling due after more than one year) of £2,381,000. This net liability position has arisen due to the requirement to make an expected credit loss provision on implementation of IFRS 9. Greene King Limited has confirmed that it will provide the necessary financial support for at least 12 months from the approval of these financial statements to enable the company to meet its liabilities as they fall due.

The Greene King Retailing Parent Limited group is a significant part of Greene King Limited group and therefore the directors of the company have reviewed Greene King Limited group's forecast and projections as reported in the Greene King Limited annual report and financial statements as part of the overall assessment.

The directors of Greene King Limited have assessed the potential impact of the Covid-19 pandemic as part of their going concern assessment of the Greene King Limited group. In doing so, the Greene King Limited directors have modelled a worst-case scenario that assumes the Group's pubs remain closed for the entire 12 month going concern period. Under this worst-case basis, the Greene King Limited 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. Given the length of time the pubs have been closed the Greene King Limited group is forecast to breach certain financial covenants on both its long-term asset-backed financing vehicles during the period of assessment.

The directors of Greene King Limited 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 of Greene King Limited have made a significant judgement in respect of the continued availability of its 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. The directors of Greene King Limited concluded that this significant judgement represents a material uncertainty that may cast significant doubt on the group's ability to continue as a going concern.

The directors of the company have made appropriate enquiries of the directors of Greene King Limited to confirm that they are satisfied that the financial support will be available and accordingly continue to prepare the financial statements on a going concern basis. However, given the material uncertainty declared in Greene King Limited's financial statements noted above, the directors of the company have also concluded there is a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern. These financial statements do not contain the adjustments that would result if the company was unable to continue as a going concern.

Notes to the financial statements
for the period ended 26 April 2020

1. Basis of preparation (continued)

In addition, the directors of the company have also made a significant judgement in respect of the continued availability of its long-term asset-backed financing 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 second material uncertainty that may cast significant doubt on the group's ability to continue as a going concern.

On this basis, the directors continue to prepare the financial statements on a going concern basis.

Financial Reporting Standard 101 – Reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:
- certain requirements of IFRS 7 Financial Instruments: Disclosures;
- certain requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- paragraph 79(a)(iv) of IAS 1;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures; and
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

New accounting standards, amendments and interpretations adopted by the company

The company has considered the new standards, interpretations and amendments to standards which are mandatory for the company for the first time in the annual reporting period commencing 29 April 2019 and has concluded that they do not have a material impact on the company's financial statements.

The company has early adopted Interest Rate Benchmark Reform – Amendments to IFRS9, IAS 39 and IFRS 7.

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 company has early adopted the amendments for the period ending 26th April 2020.

The company'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 company is monitoring developments in the market in relation to the replacement of LIBOR as a benchmark but has 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.

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.

IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognition and measurement of financial instruments, including impairment, derecognition and general hedge accounting. This standard replaced IAS 39 Financial Instruments: Recognition and Measurement.

The company adopted IFRS 9 on 30 April 2018 prospectively and did not restate comparative periods. As a result, the company recognised a £1,291,000 charge in retained earning to reflect the new impairment requirements.

The company's policy for measuring the expected credit loss is described in the accounting policies, note 2, and additional disclosure is given in note 13.

Notes to the financial statements

for the period ended 26 April 2020

1. Basis of preparation (continued)

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 company has not early adopted them in preparing these financial statements. It is the company's view that none of the new standards or amendments will have a significant impact on the company's 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)
- Covid-19 Related Rent Concessions (Amendments to IFRS 16)
- Classification of liabilities as current or non-current (Amendments to IAS 1)

Significant accounting judgments and estimates

Significant accounting judgments

Financial assets

The group recognised a loss allowance for expected credit losses on amounts due on term loans. The methodology used to determine the amount of 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 financial assets where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses are recognised. Interest income is recognised by applying the effective interest rates to the gross carrying amount of the financial asset. For those financial assets where the credit risk has increased significantly or determined to be credit impaired, lifetime expected credit losses are recognised. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset (or for the credit impaired assets, to the net carrying amount of the financial asset).

As per the methodology above a review was carried out on amounts due on term loans for an indication of a significant increase in credit risk. The main criteria used was to compare the risk of default occurring over the expected life of the instrument at the reporting date with the risk of default at the date of initial recognition. This review concluded that the technical breach in financial covenants gives rise to a significant increase in credit risk of the amounts due on term loans resulting therefore on a change of ECL from a 12-month ECL into lifetime ECL. For further detail refer to note 12 and 13.

Significant accounting estimates

In the course of preparing the financial statements, the key estimate made in the process of applying the company's accounting policies is detailed below:

COVID-19

As explained on pages 3, COVID-19 has had a material impact to the financial statements. Management have applied estimates within the expected credit loss calculation on term loans, see note 13 for further details.

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

2. Significant accounting policies

Investments

Investments held as fixed assets are stated at cost less provision for any impairment in value.

Financial instruments

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument and de-recognised 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.

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 company's business model for managing them. The company 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.

Notes to the financial statements
for the period ended 26 April 2020

2. Significant accounting policies (continued)

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 company's business model for managing them.

The company recognises a loss allowance for expected credit losses on term loans. 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 financial assets where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses. Interest income is recognised by applying the effective interest rates to the gross carrying amount of the financial asset.

For those financial assets where the credit risk has increased significantly or determined to be credit impaired, lifetime expected credit losses are recognised. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset (or for the credit impaired assets, to the net carrying amount of the financial asset).

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.

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.

Interest costs and income

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

Derivative financial instruments

The company uses interest rate swaps to hedge its exposure to interest rate fluctuations on its variable rate term loans and notes.

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 determined by reference to market values for similar instruments. If a derivative does not qualify for hedge accounting the gain or loss arising on the movement in fair value is recognised in the income statement.

Hedge accounting

To qualify for hedge accounting the hedge relationship must be designated and documented at inception. Documentation must include the company's risk management objective and strategy for undertaking the hedge and formal allocation to the item or transaction being hedged. The company also documents how it will assess the effectiveness of the hedge and carries out assessments through periodic prospective effectiveness testing to ensure that:
- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from the economic relationship; and
- the hedge ratio is the same as that resulting from actual quantities of hedged items and hedging instruments used for risk management

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

Cash flow hedge accounting

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

Amounts recognised in other comprehensive income and accumulated in equity 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.

Notes to the financial statements
for the period ended 26 April 2020

2. Significant accounting policies (continued)

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

Income tax

The income tax comprises both the income tax payable based on profits for the period 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 directly in OCI or directly in equity are recognised in OCI and equity respectively.

3. Interest receivable and similar income

	52 weeks to 26 April 2020 £'000	52 weeks to 28 April 2019 £'000
Interest receivable from group undertakings on term loans	65,693	60,482
Amounts receivable from group undertakings on interest rate swap agreements related to term loans	10,203	11,202
Net interest receivable on term loans	75,896	71,684

4. Interest payable and similar expenses

	52 weeks to 26 April 2020 £'000	52 weeks to 28 April 2019 £'000
Interest payable on bond finance	63,259	58,053
Interest payable to group undertakings on bond finance	2,427	2,422
Amounts payable on interest rate swap agreements related to bond finance	10,203	11,202
Net interest payable on bond finance	75,889	71,677

5. Profit before taxation

The company was incorporated for the purpose of raising funds through the issuance of bonds, the proceeds of which are on-lent to Greene King Retailing Limited. Interest payable and similar expenses therefore represents interest payable on bond finance and amounts payable on interest rate swap agreements related to bond finance as described in Note 4. Interest receivable and similar income represents the interest receivable on term loans made to Greene King Retailing Limited and amounts receivable on interest rate swap agreements related to term loans as described in Note 3.

Other income relates to the recharge of trustee fees payable and other operating income. Impairment of financial assets of £90,490,000 (2019: £183,000) relates to the impairment of debtor balances under the expected credit loss model of IFRS 9. Administrative and other expenses relate to trustee fees payable and other operating expenses. The auditor's remuneration for the period of £15,000 (2019: £11,500) has been borne by another group company. There were no non-audit services provided by the auditors (2019: none).

6. Directors' remuneration and staff costs

The company had no employees during the period (2019: none). The directors received no remuneration (2019: £nil), during the period for their qualifying services to the company.

Notes to the financial statements
for the period ended 26 April 2020

7. Taxation

	52 weeks to 26 April 2020 £'000	52 weeks to 28 April 2019 £'000
Current income tax		
UK Corporation tax	1	1
	1	1
Tax expense in the income statement	1	1

Reconciliation of tax expense for period

The tax expense in the income statement is higher than (2019: higher than) the standard rate of corporation tax of 19.0% (2019: 19.0%). The differences are explained below:

	52 weeks to 26 April 2020 £'000	52 weeks to 28 April 2019 £'000
Loss before tax	(90,483)	(176)
Loss multiplied by standard rate corporation tax in the UK of 19.0% (2019: 19.0%)	(17,192)	(33)
Expenditure not deductible for tax purposes	17,193	34
Tax expense in the income statement	1	1

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.

8. Debtors

	26 April 2020 £'000	28 April 2019 £'000
Due within one year		
Term loans (note 13)	35,033	54,453
Derivative financial instruments (note 13)	11,027	8,610
Accrued interest receivable	7,970	9,874
	54,030	72,937
Amounts falling due after more than one year		
Term loans (note 13)	1,308,830	1,530,968
Derivative financial instruments (note 13)	143,156	118,560
	1,451,986	1,649,528

9. Cash and cash equivalents

	26 April 2020 £'000	28 April 2019 £'000
Cash at bank	61	55

Notes to the financial statements
for the period ended 26 April 2020

10. Creditors: amounts falling due within one year

	26 April 2020 £'000	28 April 2019 £'000
Interest bearing liabilities		
Bond finance (note 13)	37,461	54,504
Other creditors		
Derivative financial instruments (note 13)	11,027	8,610
Corporation tax	1	1
Interest payable	7,978	9,882
Owed to other group undertakings	5	5
	19,011	18,498

Interest payable is mainly settled quarterly throughout the year, in accordance with the terms of the related financial instrument.

11. Creditors: amounts falling due after one year

	26 April 2020 £'000	28 April 2019 £'000
Bond finance (note 13)	1,398,358	1,532,382
Derivative financial instruments (note 13)	143,156	118,560
	1,541,513	1,650,942

The company has issued various tranches of bonds in connection with the securitisation of pubs operated by Greene King Retailing Limited. The bonds are secured over these properties and their future income streams. The securitisation is governed by various covenants, warranties and events of default many of which apply to Greene King Retailing Limited. These include covenants regarding the maintenance and disposal of properties and restrictions on its ability to move cash outside of that company.

Notes to the financial statements
for the period ended 26 April 2020

12. Bond finance and term loans

The company's bond finance and term loans at 26 April 2020 consist of the following tranches:

	Nominal value 2020 £'000	Carrying value 2020[2] £'000	Carrying value 2019 £'000	Interest	Interest rate[1] %	Last repayment period	Weighted average life
Bond finance							
A1 bonds	-	-	84,676	Floating	6.11	-	-
A2 bonds	211,216	210,444	218,545	Fixed	5.32	2031	6.9 years
A3 bonds	-	-	35,134	Floating	6.09	-	-
A4 bonds	258,894	258,342	258,479	Fixed	5.11	2034	8.3 years
A5 bonds	208,655	208,655	217,981	Floating	3.93	2033	7.8 years
A6 bonds	250,401	249,386	263,123	Fixed	4.06	2035	8.3 years
A7 bonds	250,000	248,764	248,637	Fixed	3.59	2035	8.6 years
AB2 bonds	40,000	40,000	40,000	Fixed	6.06	2036	14.9 years
B1 bonds[3]	120,853	120,539	120,564	Floating	6.96	2034	13.1 years
B2 bonds	99,927	99,688	99,747	Floating	6.92	2036	15.2 years
	1,439,946	**1,435,818**	1,586,886				

	Nominal value 2020 £'000	Carrying value 2020[2] £'000	Carrying value 2019 £'000	Interest	Interest rate[1] %	Last repayment period	Weighted average life
Term loans receivable							
A1 bonds	-	-	84,597	Floating	6.11	-	-
A2 bonds	211,216	199,267	218,344	Fixed	5.32	2031	6.9 years
A3 bonds	-	-	35,102	Floating	6.09	-	-
A4 bonds	258,894	243,005	258,240	Fixed	5.11	2034	8.3 years
A5 bonds	208,655	196,295	217,781	Floating	3.93	2033	7.8 years
A6 bonds	250,401	234,552	262,880	Fixed	4.06	2035	8.3 years
A7 bonds	250,000	232,544	248,407	Fixed	3.59	2035	8.6 years
AB2 bonds	40,000	36,507	39,963	Fixed	6.06	2036	14.9 years
B1 bonds[3]	120,853	110,731	120,452	Floating	6.96	2034	13.1 years
B2 bonds	99,927	90,962	99,655	Floating	6.92	2036	15.2 years
	1,439,946	**1,343,863**	1,585,421				

[1]includes the effect of interest rate swaps on the floating rate notes
[2]carrying value is net of related deferred finance fees and impairment losses calculated under IFRS 9
[3] B1 tranche switched to floating rate L+1.80% in March 2020 with a swap rate of 5.16% - L

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

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

The Class A5, B1 and B2 bonds have floating interest rates, Class A2, A4, A6, A7 and AB2 bonds have fixed interest rates.

Repayment of 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 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 AB2 and Class B bonds. The Class B1 and B2 bonds rank pari passu in point of security, principal repayment and interest payment.

The Class AB2 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 company has issued these various tranches of bonds in connection with the securitisation of pubs operated by Greene King Retailing Limited. The bonds are secured over these properties and their future income streams. The securitisation is governed by

Notes to the financial statements
for the period ended 26 April 2020

12. Bond finance and term loans (continued)

various covenants, warranties and events of default many of which apply to Greene King Retailing Limited. These include covenants regarding the maintenance and disposal of properties and restrictions on its ability to move cash outside of that company.

The proceeds of the issues of bonds are lent to Greene King Retailing Limited as part of a securitisation of a portion of Greene King Limited group's pubs business. The maturity dates and loan payment dates of the term loans correspond to the terms of the relevant class of bonds.

In March 2020 the company 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 contacts.

During the prior period the company issued an additional £250m of secured bonds (class A7) with a fixed coupon of 3.593% to finance the purchase of an additional 177 pubs by Greene King Retailing Limited.

The payment of interest and repayment of principal by Greene King Retailing Limited will provide the primary source of funds for interest and principal payments on the bonds.

Liquidity facility

The company 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).

13. Financial instruments and loan capital

The company holds the following financial instruments:

	Note	Current 2020 £'000	Non-current 2020 £'000	Total 2020 £'000	Current 2019 £'000	Non-current 2019 £'000	Total 2019 £'000
Financial assets							
Assets at amortised cost							
Term loans	8	35,033	1,308,830	1,343,863	54,453	1,530,968	1,585,421
Cash and cash equivalents	9	61	-	61	55	-	55
Accrued interest receivable	8	7,970	-	7,970	9,874	-	9,874
Derivative financial instruments	8	11,027	143,156	154,183	8,610	118,560	127,170
		54,091	1,451,986	1,506,077	72,992	1,649,528	1,722,520
Financial liabilities							
Liabilities at amortised cost							
Bond finance	12	37,461	1,398,357	1,435,818	54,504	1,532,382	1,586,886
Interest payable	10	7,978	-	7,978	9,882	-	9,882
Amounts owed to other group undertakings	10	5	-	5	5	-	5
Derivative financial instruments	10	11,027	143,156	154,183	8,610	118,560	127,170
		56,471	1,541,513	1,597,984	73,001	1,650,942	1,723,943

Financial risk management

The primary treasury objectives of the company are to manage the financial risks that arise in relation to the underlying business needs of the Greene King Limited group and to provide secure and competitively priced funding for the activities of that group. This is performed via the issue of external loan notes and the onward lending of the proceeds to other members of the Greene King group for the purpose of securitising a proportion of the group's licensed estate. Where appropriate, the company uses financial instruments and derivatives to manage these risks.

The principal financial instruments held for the purpose of raising finance for operations are securitised bonds.

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

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

Notes to the financial statements
for the period ended 26 April 2020

13. Financial instruments and loan capital (continued)

Hedging

The company's policy is to hedge exposure to interest rate risk. Gains and losses on instruments used for hedging are not recognised until the exposure that is being hedged is recognised.

At 26 April 2020, the company held three (2019: four) interest rate swap contracts for a nominal value of £429,435,000 (2019: £438,319,000), which are designated cash flow hedges against £429,435,000 (2019: £438,319,000) of variable rate bonds entered into as part of the securitisation and subsequent securitisation taps. 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 company held one forward starting swap which commenced when the B1 Term Advances 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 £154,183,000 (2019: £109,601,000). 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 company terminated two interest rate swap contracts in connection with the repayment of the A1 and A3 secured bonds, resulting in cash payments totalling £16,634,000. At the previous year end date these swaps had been held on the balance sheet as a fair value liability of £17,569,000.

The company has also entered into equal and opposite interest rate swap arrangements with Greene King Retailing Limited in respect of the term loans issued to that company. The terms, values and maturity analysis of these swaps directly mirror the swaps designed to hedge interest rate risk on the bond finance. The company therefore receives a weighted average fixed rate of 3.3% (2019: 3.2%) and pays a variable rate based on LIBOR. The fair value of the swaps on the A5, B1 and B2 tranches at the period end was an asset of £154,183,000 (2019: £109,601,000).

Due to the existence of equal and opposite interest rate swap arrangements with Greene King Retailing Limited, noted above, there will be no overall impact on equity from transactions arising as a result of the cashflow hedges as these will offset each other.

Interest rate risk

Exposure to changes in interest rates on the company's borrowings is reviewed with regard to the maturity profile and cash flows of the underlying debt. The company 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 company's policy is to keep 100% of its variable rate bond finance at fixed rates of interest to mitigate the interest rate risk, this is done through the use of interest rate swaps. At the period end 100% of variable rate bond finance was fixed after taking account of interest rate swaps.

The company has entered into "back to back" interest rate swap arrangements internally with Greene King Retailing Limited and externally with bond holders covering 100% of the variable interest rate exposure. Therefore the impact of any changes in interest rates on the fair values of its financial instruments would directly offset and have no impact on the company's profit before tax or shareholders' funds.

Liquidity risk

The company mitigates liquidity risk by ensuring that the maturity profile of amounts receivable on term loans is matched exactly against the maturity profile of amounts payable on bond finance.

Notes to the financial statements

for the period ended 26 April 2020

13. Financial instruments and loan capital (continued)

The table below summarises the maturity profile of the company's financial instruments at 26 April 2020 and 28 April 2019 based on contractual undiscounted payments including interest.

Period ended 26 April 2020	Within one year £'000	One to two years £'000	Two to five years £'000	More than five years £'000	Total £'000
Bond finance					
- Capital	38,015	51,936	209,767	1,140,228	1,439,946
- Interest	56,542	54,425	148,813	252,705	512,485
	94,557	106,361	358,580	1,392,933	1,952,431
Interest rate swaps settled net	12,425	12,751	36,162	98,443	159,781
	106,982	119,112	394,742	1,491,376	2,112,212
Term loans receivable					
- Capital	38,015	51,936	209,767	1,140,228	1,439,946
- Interest	56,542	54,425	148,813	252,705	512,485
	94,557	106,361	358,580	1,392,933	1,952,431
Interest rate swaps settled net	12,425	12,751	36,162	98,443	159,781
	106,982	119,112	394,742	1,491,376	2,112,212

Period ended 28 April 2019	Within one year £'000	One to two years £'000	Two to five years £'000	More than five years £'000	Total £'000
Bond finance					
- Capital	54,938	62,413	217,814	1,256,408	1,591,573
- Interest	65,650	60,810	170,033	333,595	630,088
	120,588	123,223	387,847	1,590,003	2,221,661
Interest rate swaps settled net	11,146	13,505	33,437	82,514	140,602
	131,734	136,728	421,284	1,672,517	2,362,263
Term loans receivable					
- Capital	54,938	62,413	217,814	1,256,408	1,591,573
- Interest	65,650	60,810	170,033	333,595	630,088
	120,588	123,223	387,847	1,590,003	2,221,661
Interest rate swaps settled net	11,146	13,505	33,437	82,514	140,602
	131,734	136,728	421,284	1,672,517	2,362,263

Credit risk

Financial assets include term loans, cash and cash equivalents and interest receivable. 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 with banks and financial institutions with high credit ratings assigned by international credit agencies.

The credit risk on term loans receivable from Greene King Retailing Parent Limited, a significant subsidiary of Greene King Limited group, is covered by the expected credit loss. The term loans are secured against pubs in the Greene King estate.

Impairment of financial assets

The company has term loans and other receivables that are subject to the expected credit loss model. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Notes to the financial statements

for the period ended 26 April 2020

13. Financial instruments and loan capital (continued)

Impairment losses on term loans and other receivables recognised in the income statement were as follows:

	2020 £'000	2019 £'000
Impairment loss on term loans and other receivables	90,490	183

The key assumptions for the calculation of the ECL on those financial assets were:

- Probability of default (PD) being the likelihood of a default happening over the whole life of the loan. This was determined by a probability of default expected for companies with a BB+ credit rating taking into consideration the length of the loan. The PD was then adjusted with a COVID-19 assumption based on an external study on the impact of the pandemic on credit risk.
- Loss given default (LGD) being the percentage that could be lost in the event of a default. The LGD was based on the average industry rate and adjusted for the security headroom. The security over the amounts due on secured loan notes did not impact the LGD.
- Exposure at default being the balance outstanding as at the reporting date.

Sensitivity to changes in assumptions

The most significant assumption included within the expected credit loss for amounts due on term loans is the conclusion of a significant increase in credit risk resulting in a lifetime ECL. In order to test the sensitivity of that assumption, the company has considered the impact of a 12-month ECL compared to a lifetime ECL and determined that had a 12-month ECL been applied the impact on the ECL would have been lower by £90,018,000.

Non-underlying items

In an earlier period, the company settled mark-to-market liabilities in respect of the A5 swap and as a result the swap was re-couponed from a fixed rate of 5.26% to a market rate of 1.43%. The cashflows in respect of the A5 term loan and bond are still expected to occur and therefore cumulative gains and losses recognised prior to settlement of the swap asset/liability are recognised as non-underlying items in the income statement over the same period as the cashflows are forecast to continue. This has resulted in a non-underlying credit/expense of £8,787,000 in the current period (2019: £9,637,000).

Fair values

Set out below is a comparison of carrying amounts and fair values of all of the company's financial instruments:

	Hierarchical classification	26 April 2020 Fair value £'000	26 April 2020 Carrying value £'000	28 April 2019 Fair value £'000	28 April 2019 Carrying value £'000
Financial liabilities					
Bond finance	1	(1,492,895)	(1,395,818)	(1,596,159)	(1,546,886)
Bond finance	2	(52,079)	(40,000)	(42,322)	(40,000)
Derivative financial instruments	2	(154,183)	(154,183)	(127,170)	(127,170)
Interest payable	2	(8,005)	(8,005)	(9,909)	(9,909)
Financial assets					
Term loans	2	1,492,895	1,392,538	1,596,159	1,545,458
Term loans	2	52,079	36,507	42,322	39,963
Accrued interest receivable	2	8,016	8,016	9,874	9,874
Derivative financial instruments	2	(154,183)	(154,183)	127,170	127,170

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 were used to estimate the fair values:

- Bond finance and term loans - based on quoted market prices where available (level 1); calculated by discounting all future cash flows by an implied yield determined with reference to observable market data (level 2).

Notes to the financial statements
for the period ended 26 April 2020

13. Financial instruments and loan capital (continued)

- Derivative financial instruments - calculated by discounting all future cash flows by the market yield curve at the balance sheet date and adjusting for, where appropriate, the group's and counterparty credit risk. The changes in credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships.

The fair value of other financial assets and liabilities are not materially different from their carrying value.

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 levels 1, 2 or 3 fair value measurements.

Capital risk management

The company aims to manage the risk associated with its capital by ensuring that the terms and conditions relevant to the debt issued by the company are directly reflected in the terms and conditions associated with the term loan lending that it has issued to Greene King Retailing Limited. By ensuring that the terms are identical, with a small margin charged to Greene King Retailing, the group offsets the risks related to its capital structure and use of debt. No changes were made in the objectives, policies or processes during the period.

Capital management also takes place on a group wide basis. Debt and equity are considered to be the group's capital. The Greene King group monitors capital 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.

14. Called up share capital

	2020 Number	2019 Number	2020 £	2019 £
Allotted, called up and partly paid				
Ordinary shares of £1	**50,000**	50,000	**12,502**	12,502

On incorporation of the company Greene King Finance Parent Limited subscribed for one ordinary share of £1 and Law Debenture Corporate Services Limited subscribed for one further ordinary share of £1, each fully called up for consideration of £1 per share.

On 21 January 2005, 49,998 ordinary shares of £1 each were allotted to Greene King Finance Parent Limited with £0.25 per share called up and paid.

The directors of the company have no rights to subscribe for additional shares in the company.

15. Related party transactions

The company has issued term loans to, and has entered into "back to back" interest rate swap agreements with, Greene King Retailing Limited, a subsidiary of Greene King Limited. Details of the amounts outstanding on the term loans and associated derivative financial instruments are included in note 12 to these financial statements. Details of the interest received on the loans are included in note 3.

The company has lent £40m in the form of an AB2 term loan to Greene King Retailing Limited and has issued a £40m AB2 bond to Greene King Limited. Details of bonds issued by the company are included in note 12. During the year interest payable to Greene King Limited in respect of the AB2 bond totalled £2,427,000 (2019: £2,422,000).

At the year end accrued interest due to Greene King Limited in respect of the AB2 bond totalled £279,000 (2019: £292,000).

Notes to the financial statements

for the period ended 26 April 2020

16. Post balance sheet events

On 6 July 2020, the Greene King Limited group re-opened 1,212 of its managed pubs following government guidelines and the introduction of our PUBSAFE promises. The majority of the remaining one third of the managed estate followed in a second phase during July 2020. The group will 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.

On 15 July 2020 they obtained a waiver for the anticipated breach of FCF DSCR covenants for Q1 of the following financial year.

There are no other post balance sheet events requiring disclosure in the financial statements.

17. Ultimate parent company

At 26 April 2020, the directors consider the parent undertaking and immediate controlling party of Greene King Finance plc to be Greene King Finance Parent Limited, a company incorporated in England and Wales, registered at 100 Wood Street, London, EC2V 7EX. This is also the parent undertaking of the smallest group which includes the results of the company and for which group accounts are prepared.

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 largest group which includes the results of the company and for which group accounts are prepared. Copies of its group financial statements are available from 7th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong.