

Greene King Finance plc

Annual Report and Financial Statements

3 January 2021

Registered number: 05333192



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 05333192

Registered office 8th Floor
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 London
 EC2N 4AG

Auditor Deloitte LLP
 1 New Street Square
 London
 EC4A 3HQ

Strategic report

The directors present their Strategic report for the 36 week period ended 3 January 2021.

Following the acquisition of the Greene King Limited group by CK Noble (UK) Limited on 30 October 2019, the financial year end of the Company was changed from 30 April to 31 December so as to be coterminous with the year end of its ultimate holding company, CK Asset Holdings Limited. Accordingly, the current financial statements are prepared for 36 weeks from 27 April 2020 to 3 January 2021 and as a result, the comparative figures stated in the statement of comprehensive income, statement of changes in equity and the related notes are not comparable.

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 profit after tax and interest was £7,384,000 (2020: loss £90,484,000).

COVID-19

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

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

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

1. To ensure the financial stability and survival of our business;
2. To position us to exit this crisis as the strongest in the sector and be ready to bounce back when normal life resumes; and
3. As far as possible, to protect our employees/partners from the worst impact of the crisis – both financially and from a welfare perspective.

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

- We introduced strict cash preservation measures including obtaining payment deferral with suppliers and landlords, postponement of all non-essential capex and operational expenditure, suspension of all marketing activity and deferral of non-essential activity.
- We took advantage of the significant support to the industry from government in the form of business rates relief, tax deferrals, and the job retention scheme.
- We continued to work on various strategically important projects to ensure we would be able come out of the crisis in the best possible position.
- Throughout the period we conducted significant liaison with government departments, Ministers, trade bodies and other key players in the sector, to ensure that our interests and those of our sector were well represented at government level and that key issues and concerns were heard and acted upon.

Impact on the financial statements

The loss of trade resulting from the mandated closure of the pubs on 20 March 2020 resulted Greene King Retailing Limited, a subsidiary within the Greene King Limited group, breaching the Q1 Free Cash Flow Debt Service Coverage Ratio "FCF DSCR" covenant, for which a waiver from bondholders was obtained on 15 July 2020. Following the change in year end the company operated over three quarters to 3 January 2021. Greene King Retailing Limited didn't breach Q2 or Q3 but is likely to breach the covenant once again for Q1 2021. 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.

The COVID-19 pandemic has continued to be the most significant risk facing the business during the year. As well as producing its own matters to be dealt with, the pandemic has also impacted many of the other risks already facing the business, and accordingly existing mitigation plans designed to deal with those risks have been adapted, amended and upweighted as necessary. For further details of the impact on the company of the COVID-19 pandemic, and how the Greene King Limited group has responded to the threats thereof, please see the separate COVID-19 section of the strategic report.

Strategic report (continued)

Principal risks and uncertainties

Aside from COVID-19 the principal risks and uncertainties facing the business were similar in nature to those reported last year.

Formal risk management processes are in place across the Greene King Limited group to identify and evaluate risks, taking into account the likelihood of their occurrence and the scale of potential impact on the business.

The principal risks and uncertainties facing the company are broadly grouped as strategic risks, economic and market risks, financial risks, regulatory risks and operational and people risks. These risks are managed at a group level and details can be found in the Greene King Limited group accounts which are publicly available.

Interest rate risk

Exposure to changes in interest rates on the group's borrowings is reviewed with regard to the maturity profile and cash flows of the underlying debt. The group uses a mixture of fixed and floating interest rate debt with exposure to market interest rate fluctuations primarily arising from the floating rate instruments. The 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 group's loss before tax or shareholders' funds.

Liquidity risk

The Directors' report and note 12 & 13 describes 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 (2020: £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 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 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 sought to obtain approval from bondholders of certain waivers and on 15 July 2020 obtained a waiver in respect of the 2020 Q1 FCF DSCR covenants relating to the secured bonds.

As the company could become reliant upon continued waiver of debt covenant, the company has continued to apply a lifetime ECL on its term loans. Despite this, the overall provision for this reporting period has decreased due to a reduction in amounts owed due to repayments during the period and changes in assumptions of the future. See further details in the Significant accounting judgements and estimates section in note 1.

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 company's key performance indicator is considered to be £4,000 (2020: £7,000) profit calculated as the profit before taxation of £7,385,000 (2020: loss £90,483,000) before applying the expected credit loss model reversal of £7,381,000 (2020: charge £90,490,000).

The operations of Greene King Finance Limited 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.

Strategic report (continued)

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.

Debt Holders - The group has bonds listed on the Irish Stock Exchange. During the period, as a direct consequence of the pub closures due to the COVID-19 pandemic, the company was unable to meet certain of their financial covenants. With the support of the board, the company sought and obtained a waiver of those covenants from the bondholders.

Case studies

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

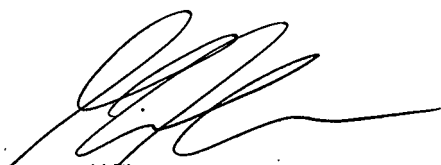
The Greene King Limited group is also deploying a new set of values for employees:

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

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

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

This report was approved by the board on **29 APRIL 2021** and signed on its behalf.



M. Filer
Director

Directors' report

The directors present their annual report and financial statements for the 36 week period ended 3 January 2021.

Results and dividends

The profit for the 36 weeks, after taxation, amounted to £7,384,000 (2020: 52 weeks loss £90,484,000).

No dividends were paid or proposed during the period (2020: £nil).

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.

Directors' duties under Section 172 Companies Act 2006

A statement on the director's duties under Section 172 of the Companies Act 2006 can be found in the Strategic Report.

Indemnity provision / directors' liabilities

The directors do not have directors' and officers' liability insurance cover provided by the company.

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 18.1.6 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.

In line with DTR 7.1 the company has not appointed an audit committee or a supervisory body to carry out the audit committee functions. As noted in the Strategic Report, Greene King Limited group has control of the entity and all decisions affecting the company are filtered down from group. Greene King Limited has an appointed Audit & Risk Committee which oversees the group and therefore the activities of this company.

Future developments

On 9 April 2021 the company, at the request of the directors of Greene King Limited, launched a waiver request in relation to the four quarter lookback FCF DSCR covenant for the five quarters ending April 2021 through to April 2022 and the two quarter lookback FCF DSCR covenant for the three quarters ending April 2021 through to October 2021.

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

The principal financial instruments held for the purpose of raising funds for operations are securitised bonds, cash and short-term deposits. Other financial instruments arise directly from the operations of the group, 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 group'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

Greene King Limited has agreed to provide continuing financial support to enable the company to meet its obligations as and when they fall due for a minimum period of at least 12 months from the date of approval of these financial statements.

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

Directors' report (continued)

The company is part of the Greene King securitisation, one of two long-term asset-backed financing vehicles of the wider Greene King Limited group.

As part of this securitisation, the company has issued bonds and loaned the proceeds to other entities within the Greene King Limited group for the purpose of enabling the securitisation of the Greene King Limited group's estate. At 3 January 2021, the bonds had a carrying value of £1,408.2m (2020: £1,435.8m) and an average life of eight years (2020: nine years). The bonds are secured against 1,485 pubs (2020: 1,491 pubs) owned by Greene King Retailing Limited with a carrying value of £2.1bn (2020: £2.1bn).

In forming their conclusion in relation to going concern, the directors have made a significant judgement in respect of the continued availability of the Greene King securitisation long-term asset-backed financing vehicle in the knowledge that the Greene King Limited group expects to be reliant upon waiver of debt covenants. The directors have launched a waiver request in relation to the four quarter lookback FCF DSCR covenant for the five quarters ending April 2021 through to April 2022 and the two quarter lookback FCF DSCR covenant for the three quarters ending April 2021 through to October 2021 in respect of the Greene King securitisation but given the result is not known at the time of the approval and signing of the accounts this judgement represents a material uncertainty that may cast significant doubt on the Greene King Limited group and the company'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 matters noted above, the directors of the company have concluded that there is a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern.

The directors continue to prepare the financial statements on a going concern basis and as a result do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the company were unable to continue as a going concern.

Post balance sheet events

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

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

On 9 April they launched a waiver request in relation to the four quarter lookback FCF DSCR covenant for the five quarters ending April 2021 through to April 2022 and the two quarter lookback FCF DSCR covenant for the three quarters ending April 2021 through to October 2021.

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

Deloitte LLP were appointed as the company's auditors during the year. They will be proposed for reappointment in accordance with section s.489 of the Companies Act 2006 at the Annual General Meeting.

This report was approved by the board on 29 April 2021 and signed on its behalf by



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:

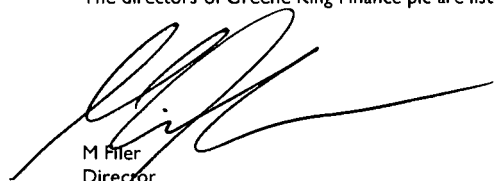
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- in respect of the company financial statements, state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any 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.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer; and
- the strategic report includes a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties they face.

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



M Filer
Director

29 April 2021

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

Report on the audit of the financial statements

OPINION

In our opinion the financial statements of Greene King Finance plc (the 'company'):

- give a true and fair view of the state of the company's affairs as at 3 January 2021 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 17.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

BASIS OF OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

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

MATERIAL UNCERTAINTY IN RELATION TO GOING CONCERN

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

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

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining, reviewing and challenging the forecasts prepared by management in respect of the Greene King Limited group, incorporating base case and worst case scenarios, including an assessment against historical financial performance, industry trends, government announcements and publicly available data regarding ongoing Covid-19 developments;
- Inspecting the terms of the Issuer Borrower Financing Agreement ("the IBFA"), under which the company has issued bonds and loaned the proceeds to Greene King Retailing Limited via intercompany loans on equivalent terms, and assessing whether the covenants had been complied with during the period;
- Assessing the forecast covenant positions in the base case and worst case scenarios outlined above;
- Enquiring as to the progress of the directors' request for a prospective waiver in relation to the four quarter lookback Free Cash Flow Debt Service Cover Ratio ("FCF DSCR") covenant for the five quarters ending April 2021 through to April 2022 and the two quarter lookback FCF DSCR covenant for the three quarters ending April 2021 through to October 2021, up to the date of approval of the financial statements; and
- Evaluating the appropriateness of financial statement disclosures in respect to this material uncertainty.

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

SUMMARY OF OUR AUDIT APPROACH

Key audit matters	The key audit matters that we identified in the current period were: <ul style="list-style-type: none">• Recoverability of intercompany receivables;• Going concern (see material uncertainty relating to going concern section); and• Covenant compliance and classification of associated borrowings.
Materiality	The materiality that we used in the current year was £14.8m which was determined on the basis of 1% of total assets.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
Significant changes in our approach	We identified key audit matters in relation to going concern and covenant compliance due to the level of judgment and uncertainty inherent in these areas, and their significance to the financial statements of the company. We do not consider there to be a key audit matter in relation to repayment of bond finance during current period due to the reduced magnitude of the repayment.

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, 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. In addition to the matter described in the material uncertainty relating to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of intercompany receivables

Key audit matter description	<p>The company's purpose is to issue bonds to external investors and lend the proceeds to other entities within the Greene King Limited group. The balance sheet therefore contains significant external borrowings, and corresponding receivables due from other group companies on a "back-to-back" basis.</p> <p>Due to the significance of the balance to the financial statements, and the difficult trading conditions created by the Covid-19 pandemic, considerable judgement is required when determining the expected credit loss to be recognised against the gross carrying amounts of these receivables in accordance with <i>IFRS 9 Financial Instruments</i>. In the current year, an expected credit loss of £84.6m has been recorded against receivables with a carrying amount of £1,415.9m.</p> <p>In calculating this provision, management has exercised judgement in determining whether the receivables were performing as expected, underperforming or non-performing, and whether there had been a significant increase in credit risk since initial recognition. Management were also required to estimate the probability of default and loss given default for each receivable, including adjustments for the impact of Brexit and Covid-19.</p> <p>For further information, refer to notes 2 and 13 of the financial statements.</p>
How the scope of our audit responded to the key audit matter	<p>Our response to this key audit matter included the following procedures:</p> <ul style="list-style-type: none">• Obtaining an understanding of relevant controls over the process;• Assessing and challenging the criteria used to classify loans as performing as expected, underperforming or non-performing, by assessing the financial performance and position of the counterparty compared to the start of the loan; and• Corroboration of probability of default, loss given default and Covid-19 and Brexit adjustments to externally sourced data.
Key observations	<p>On the basis of these procedures, we are satisfied that the judgements and estimates made by management are appropriate and expected credit losses have been calculated in accordance with <i>IFRS 9 Financial Instruments</i>.</p>

Covenant compliance and classification of associated borrowings

Key audit matter description	<p>The company has issued listed debt in order to finance the operations of certain other entities within the wider Greene King Limited group whose pubs are secured against this debt. This debt, with carrying amount £1,368m (2020: £1,396m), has associated financial covenants which must be complied with on a rolling basis, otherwise the debt becomes repayable on demand. Management has concluded that the covenants were complied with as at 3 January 2021, and therefore continue to record the debt as current or non-current according to its original contractual maturity. Disclosures in respect of the debt can be found in notes 12 and 13, and discussion of the loan covenants can be found in the going concern section of note 1 of the financial statements.</p> <p>Given the significance of this debt to the company's financial statements, we identify a key audit matter around compliance with these covenants during the period, and the classification of borrowings as either current or non-current in the statement of financial position.</p>
How the scope of our audit responded to the key audit matter	<p>Our response to this key audit matter included:</p> <ul style="list-style-type: none">• Obtaining covenant calculations from management and testing whether these were performed in accordance with the borrowing agreement;• Agreeing inputs to the calculations to accounting records;• Assessing whether the resulting covenant ratios exceeded the stated limits per the agreement; and• Assessing whether the associated borrowings were appropriately classified, based on the results of these tests.
Key observations	<p>On the basis of the above, we concur with management's conclusion that the covenants were in compliance at 3 January 2021, and that borrowings should continue to be classified according to their original contractual maturities.</p>

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

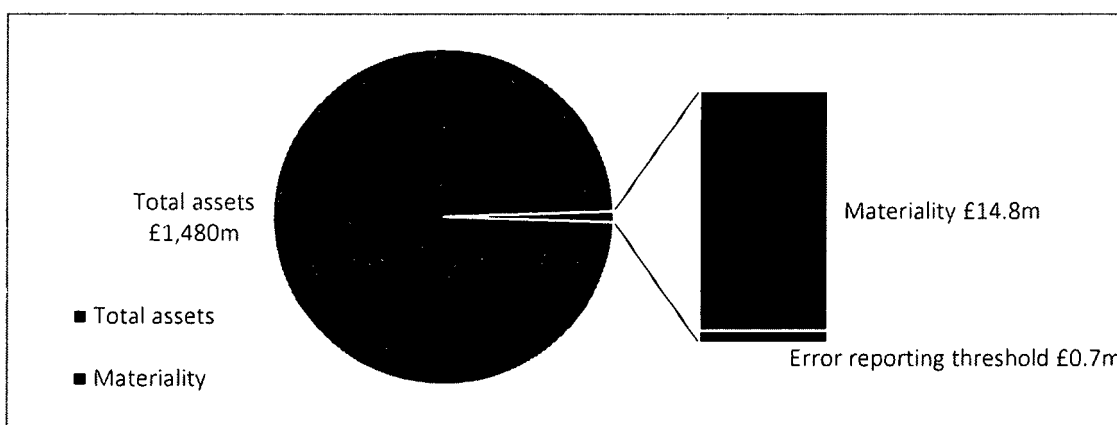
OUR APPLICATION OF MATERIALITY

Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	£14.8m (2020: £7.5m).
Basis for determining materiality	1% of total assets (2020: 0.5% of total assets).
Rationale for the benchmark applied	We consider total assets to be the most relevant metric to the financial statement users, since these assets represent the means through which the company will repay its external debt.



Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2021 audit (2020: 75%). In determining performance materiality, we considered the following factors:

- The quality of the control environment;
- The history of corrected and uncorrected misstatements, and the likelihood that these would recur in the current period; and
- The level of complexity and judgement required in preparing the financial statements.

Error reporting threshold

We agreed with the Board of Directors that we would report to the Board all audit differences in excess of £0.7m (2020: £0.3m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Board of Directors on disclosure matters that we identified when assessing the overall presentation of the financial statements.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

The scope of our audit was determined by obtaining an understanding of the company and its environment, including internal controls, and assessing the risks of material misstatement at the company level. Audit work to respond to risks of material misstatement was performed directly by the audit engagement team.

OTHER INFORMATION

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

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

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

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

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

We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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.

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

EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

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

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- results of our enquiries of management about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations; and
- the matters discussed among the audit engagement team and relevant internal specialists, including financial instrument specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the recoverability of intercompany receivables. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act and UK tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included data protection regulations.

Audit response to risks identified

As a result of performing the above, we identified the recoverability of intercompany receivables as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

Report on other legal and regulatory requirements

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

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

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

OTHER MATTERS WHICH WE ARE REQUIRED TO ADDRESS

Auditor tenure

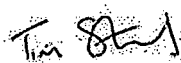
Following the recommendation of the Board of Directors, we were appointed by the shareholders at the AGM on 21 August 2020 to audit the financial statements for the period ending 3 January 2021 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is one financial period, covering the 36 weeks ended 3 January 2021.

Consistency of the audit report with the additional report to the Board of Directors

Our audit opinion is consistent with the additional report to the Board of Directors we are required to provide in accordance with ISAs (UK).

USE OF OUR REPORT

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



Timothy Steel ACA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

Date 29 April 2021

Income statement

for the 36 week period ended 3 January 2021

	Notes	36 weeks to 3 January 2021 £'000	52 weeks to 26 April 2020 £'000
Interest receivable and similar income	3	48,478	75,896
Interest receivable and similar income – non-underlying items	13	5,578	8,787
Total interest receivable and similar income		54,056	84,683
Interest payable and similar expenses	4	(48,474)	(75,889)
Interest payable and similar expenses – non-underlying items	13	(5,578)	(8,787)
Total interest payable and similar expenses		(54,052)	(84,676)
Other income		120	95
Reversal/(Impairment) of financial assets	13	7,381	(90,490)
Administrative and other expenses		(120)	(95)
Profit/(Loss) before taxation		7,385	(90,483)
Tax on profit/(loss)	7	(1)	(1)
Profit/(Loss) after taxation for the financial period		7,384	(90,484)

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 28 form part of these financial statements.

Balance sheet

as at 3 January 2021

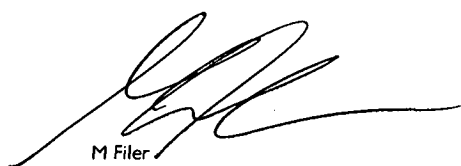
	Notes	3 January 2021 £'000	26 April 2020 £'000
Current assets			
Debtors: Amounts falling due after more than one year	8	1,419,247	1,451,986
Debtors: Amounts falling due within one year	8	60,964	54,030
Cash at bank	9	64	61
Total assets		1,480,275	1,506,077
Current liabilities			
Creditors: amounts falling due within one year			
Interest bearing liabilities	10	(46,781)	(37,461)
Other creditors	10	(17,022)	(19,011)
Current liabilities		(63,803)	(56,472)
Net current assets		1,416,472	1,449,605
Total assets less current liabilities		1,416,472	1,449,605
Creditors: amounts falling due after more than one year	11	(1,500,996)	(1,541,513)
Net liabilities		(84,524)	(91,908)
Capital and reserves			
Called up share capital	14	13	13
Profit and loss account		(84,537)	(91,921)
Total equity		(84,524)	(91,908)

The notes on pages 17 to 28 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

29 APRIL 2021

by



M Filer
Director
Registered company: 05333192

Statement of changes in equity

For the 36 weeks period ended 3 January 2021

	Share capital £'000	Retained earnings £'000	Total equity £'000
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)
Comprehensive income for the financial period Profit for the financial period	-	7,384	7,384
Total comprehensive profit for the financial period	-	7,384	7,384
As at 3 January 2021	13	(84,537)	(84,524)

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 £7.7m (2020: loss of £53.9m). Cash flow hedges recycled to the income statement from the statement of comprehensive income amounted to a net loss of £14.7m (2020: gain of £35.7m).

Gains taken to other comprehensive income in relation to the swaps assets on the term loans amounted to £7.7m (2020: gain of £53.9m). Cash flow hedges recycled to the income statement from the statement of comprehensive income amounted to a net loss of £14.7m (2020: £35.7m).

The notes on pages 17 to 28 form part of these financial statements.

Notes to the financial statements

for the period ended 3 January 2021

I. Basis of preparation

Corporate information

The financial statements of Greene King Finance plc for the 36 weeks ended 3 January 2021 were authorised for issue by the board of directors on 29 April 2021. 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).

The financial statements have been prepared on the historical cost basis, except for financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Going concern

Greene King Limited has agreed to provide continuing financial support to enable the company to meet its obligations as and when they fall due for a minimum period of at least 12 months from the date of approval of these financial statements.

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

The company is part of the Greene King securitisation, one of two long-term asset-backed financing vehicles of the wider Greene King Limited group.

As part of this securitisation, the company has issued bonds and loaned the proceeds to other entities within the Greene King Limited group for the purpose of enabling the securitisation of the Greene King Limited group's estate. At 3 January 2021, the bonds had a carrying value of £1,408.2m (2020: £1,435.8m) and an average life of eight years (2020: nine years). The bonds are secured against 1,485 pubs (2020: 1,491 pubs) owned by Greene King Retailing Limited with a carrying value of £2.1bn (2020: £2.1bn).

In forming their conclusion in relation to going concern, the directors have made a significant judgement in respect of the continued availability of the Greene King securitisation long-term asset-backed financing vehicle in the knowledge that the Greene King Limited group expects to be reliant upon waiver of debt covenants. The directors have launched a waiver request in relation to the four quarter lookback FCF DSCR covenant for the five quarters ending April 2021 through to April 2022 and the two quarter lookback FCF DSCR covenant for the three quarters ending April 2021 through to October 2021 in respect of the Greene King securitisation but given the result is not known at the time of the approval and signing of the accounts this judgement represents a material uncertainty that may cast significant doubt on the Greene King Limited group and the company'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 matters noted above, the directors of the company have concluded that there is a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern.

The directors continue to prepare the financial statements on a going concern basis and as a result do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the company were unable to continue as a going concern.

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.

Notes to the financial statements

for the period ended 3 January 2021

1. Basis of preparation (continued)

New accounting standards, amendments and interpretations adopted by the company

The following new standards, interpretations and amendments to standards are mandatory for the company for the first time for their annual reporting period commencing 27 April 2020:

- 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)
- Interest Rate Benchmark Reform – Phase 1 – Amendments to IFRS 9, IAS 39 and IFRS 78
- Classification of liabilities as current or non-current (Amendments to IAS 1)

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

The company early adopted Interest Rate Benchmark Reform – Amendments to IFRS9, IAS 39 and IFRS 7 in the previous year.

Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the group has not early adopted them in preparing these consolidated financial statements.

- Interest Rate Benchmark Reform – Phase 2

The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cashflows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate.

The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to:

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

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

Significant accounting judgments and estimates

Significant accounting judgments

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 during the current period gives rise to a significant increase in credit risk of the amounts due on term loans resulting therefore on the ECL applied to those term loans to be kept at lifetime ECL.

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.

Notes to the financial statements

for the period ended 3 January 2021

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.

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.

Notes to the financial statements

for the period ended 3 January 2021

2. Significant accounting policies (continued)*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.

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

	36 weeks to 3 January 2021 £'000	52 weeks to 26 April 2020 £'000
Interest receivable from group undertakings on term loans	39,383	65,693
Amounts receivable from group undertakings on interest rate swap agreements related to term loans	9,095	10,203
Net interest receivable on term loans	48,478	75,896

4. Interest payable and similar expenses

	36 weeks to 3 January 2021 £'000	52 weeks to 26 April 2020 £'000
Interest payable on bond finance	37,559	63,259
Interest payable to group undertakings on bond finance	1,820	2,427
Amounts payable on interest rate swap agreements related to bond finance	9,095	10,203
Net interest payable on bond finance	48,474	75,889

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, at nil margin, of trustee and legal fees payable. Reversal of impairment of financial assets of £7,381,000 (2020: impairment £90,490,000) relates to the reversal of brought forward 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 £23,000 (2020: £15,000) has been borne by another group company. There were no non-audit services provided by the auditors (2020: none).

6. Directors' remuneration and staff costs

The company had no employees during the period (2020: none). The directors received no remuneration (2020: £nil), during the period for their qualifying services to the company.

Notes to the financial statements

for the period ended 3 January 2021

7. Taxation

	36 weeks to 3 January 2021 £'000	52 weeks to 26 April 2020 £'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 lower than (2020: higher than) the standard rate of corporation tax of 19.0% (2020: 19.0%). The differences are explained below:

	36 weeks to 3 January 2021 £'000	52 weeks to 26 April 2020 £'000
Profit/(Loss) before tax	7,385	(90,483)
Profit/(Loss) multiplied by standard rate corporation tax in the UK of 19.0% (2020: 19.0%)	1,403	(17,192)
(Income)/Expenditure not deductible for tax purposes	(1,402)	17,193
Tax expense in the income statement	1	1

Factors that may affect future tax charges

Under Finance Act 2020 enacted on 22 July 2020, the Corporation Tax rate for the 12 months from 1 April 2021 remains at 19%, therefore the enacted rate at balance sheet date is unchanged at 19%.

8. Debtors

	3 January 2021 £'000	26 April 2020 £'000
Due within one year		
Term loans (note 13)	43,955	35,033
Derivative financial instruments (note 13)	13,181	11,027
Accrued interest receivable	3,828	7,970
	60,964	54,030
Amounts falling due after more than one year		
Term loans (note 13)	1,279,647	1,308,830
Derivative financial instruments (note 13)	139,600	143,156
	1,419,247	1,451,986

9. Cash and cash equivalents

	3 January 2021 £'000	26 April 2020 £'000
Cash at bank	64	61

Notes to the financial statements

for the period ended 3 January 2021

10. Creditors: amounts falling due within one year

	3 January 2021 £'000	26 April 2020 £'000
Interest bearing liabilities		
Bond finance (note 13)	46,781	37,461
Other creditors		
Derivative financial instruments (note 13)	13,181	11,027
Corporation tax	2	1
Interest payable	3,834	7,978
Owed to other group undertakings	5	5
	17,022	19,011

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

	3 January 2021 £'000	26 April 2020 £'000
Bond finance (note 13)	1,361,396	1,398,358
Derivative financial instruments (note 13)	139,600	143,156
	1,500,996	1,541,513

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 3 January 2021

12. Bond finance and term loans

The company's bond finance and term loans at 3 January 2021 consist of the following tranches:

	Nominal value 2021 £'000	Carrying Value 2021 ² £'000	Carrying value 2020 £'000	Interest	Interest rate ¹ %	Last repayment period	Weighted average life
Bond finance							
A2 bonds	204,470	203,746	210,444	Fixed	5.32	2031	6.9 years
A4 bonds	258,894	258,372	258,342	Fixed	5.11	2034	8.0 years
A5 bonds	201,289	201,289	208,655	Floating	3.93	2033	7.9 years
A6 bonds	239,850	238,910	249,386	Fixed	4.06	2035	7.8 years
A7 bonds	246,750	245,602	248,764	Fixed	3.59	2035	8.4 years
AB2 bonds	40,000	40,000	40,000	Fixed	6.06	2036	15.0 years
B1 bonds ³	120,853	120,559	120,539	Floating	6.96	2034	12.8 years
B2 bonds	99,927	99,700	99,687	Floating	6.92	2036	14.9 years
	1,412,033	1,408,178	1,435,817				
Term loans receivable							
A2 bonds	204,470	192,761	199,267	Fixed	5.32	2031	6.9 years
A4 bonds	258,894	244,464	243,005	Fixed	5.11	2034	8.3 years
A5 bonds	201,289	190,476	196,294	Floating	3.93	2033	7.8 years
A6 bonds	239,850	226,025	234,552	Fixed	4.06	2035	8.3 years
A7 bonds	246,750	230,827	232,544	Fixed	3.59	2035	8.6 years
AB2 bonds	40,000	36,632	36,507	Fixed	6.06	2036	14.9 years
B1 bonds ³	120,853	111,132	110,731	Floating	6.96	2034	13.1 years
B2 bonds	99,927	91,285	90,962	Floating	6.92	2036	15.2 years
	1,412,033	1,323,602	1,343,862				

¹includes the effect of interest rate swaps on the floating rate notes²carrying value is net of related deferred finance fees and impairment losses calculated under IFRS 9³ 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 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.

During the prior period 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.

Notes to the financial statements

for the period ended 3 January 2021

12. Bond finance and term loans (continued)

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 (2020: £224.0m) which can only be used for the purpose of meeting the securitisation's debt service obligations should there ever be insufficient funds available from operations to meet such payments. There were no drawdowns under these facilities during the year and the drawn down amount at the year-end was £nil (2020: £nil).

13. Financial instruments and loan capital

The company holds the following financial instruments:

	Note	Current 2021 £'000	Non- current 2021 £'000	Total 2021 £'000	Current 2020 £'000	Non- current 2020 £'000	Total 2020 £'000
Financial assets							
Assets at amortised cost							
Term loans	8	43,955	1,279,647	1,323,602	35,033	1,308,830	1,343,863
Cash and cash equivalents	9	64	-	64	61	-	61
Accrued interest receivable	8	3,828	-	3,828	7,970	-	7,970
Asset at fair value							
Derivative financial instruments	8	13,181	139,600	152,781	11,027	143,156	154,183
		61,028	1,419,247	1,480,275	54,091	1,451,986	1,506,077
Financial liabilities							
Liabilities at amortised cost							
Bond finance	11	46,781	1,361,396	1,408,177	37,461	1,398,357	1,435,818
Interest payable	10	3,834	-	3,834	7,978	-	7,978
Owed to other group undertakings	10	5	-	5	5	-	5
Liabilities at fair value							
Derivative financial instruments	10	13,181	139,600	152,781	11,027	143,156	154,183
		63,801	1,500,996	1,564,797	56,471	1,541,513	1,597,984

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.

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 3 January 2021, the company held three (2020: three) interest rate swap contracts for a nominal value of £422,069,000 (2020: £429,435,000), which are designated cash flow hedges against £422,069,000 (2020: £429,435,000) 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% (2020: 3.3%).

The interest rate swaps hedging the A5, B1 and B2 tranches are held on the balance sheet as a fair value liability of £152,780,000 (2020: £154,183,000). 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.

Notes to the financial statements

for the period ended 3 January 2021

13. Financial instruments and loan capital (continued)

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% (2020: 3.3%) 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 £152,780,000 (2020: £154,183,000).

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.

The table below summarises the maturity profile of the company's financial instruments at 3 January 2021 and 26 April 2020 based on contractual undiscounted payments including interest.

Period ended 3 January 2021	Within one year £'000	One to two years £'000	Two to five years £'000	More than five years £'000	Total £'000
Bond finance					
- Capital	47,058	62,115	224,999	1,077,861	1,412,033
- Interest	56,203	53,933	146,422	244,449	501,007
	103,261	116,048	371,421	1,322,310	1,913,040
Interest rate swaps settled net	13,897	13,774	38,639	89,247	155,557
	117,158	129,822	410,060	1,411,557	2,068,597
Term loans receivable					
- Capital	47,058	62,115	224,999	1,077,861	1,412,033
- Interest	56,203	53,933	146,422	244,449	501,007
	103,261	116,048	371,421	1,322,310	1,913,040
Interest rate swaps settled net	13,897	13,774	38,639	89,247	155,557
	117,158	129,822	410,060	1,411,557	2,068,597
Period ended 26 April 2020					
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

Notes to the financial statements

for the period ended 3 January 2021

13. Financial instruments and loan capital (continued)**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.

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

	2021 £'000	2020 £'000
Impairment (reversal)/loss on term loans and other receivables	(7,381)	90,490

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 £81,354,000.

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 £5,578,000 in the current period (2020: £8,787,000).

Fair values

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

	Hierarchical classification	3 January 2021		26 April 2020	
		Fair value	Carrying value	Fair value	Carrying value
		£'000	£'000	£'000	£'000
Financial liabilities					
Bond finance	1	(1,410,978)	(1,368,177)	(1,492,895)	(1,395,818)
Bond finance	2	(48,000)	(40,000)	(52,079)	(40,000)
Derivative financial instruments	2	(152,780)	(152,780)	(154,183)	(154,183)
Interest payable	2	(3,836)	(3,836)	(8,005)	(8,005)
Financial assets					
Term loans	2	1,410,978	1,286,971	1,492,895	1,392,538
Term loans	2	48,000	36,631	52,079	36,507
Accrued interest receivable	2	3,828	3,828	8,016	8,016
Derivative financial instruments	2	152,780	152,780	154,183	154,183

Notes to the financial statements

for the period ended 3 January 2021

13. Financial instruments and loan capital (continued)

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).
- 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 3 January 2021 and 26 April 2020, 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

	2021 Number	2020 Number	2021 £	2020 £
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 £1,820,000 (2020: £2,427,000).

At the year end accrued interest due to Greene King Limited in respect of the AB2 bond totalled £126,000 (2020: £279,000).

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for the period ended 3 January 2021

16. Post balance sheet events

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

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

On 9 April they launched a waiver request in relation to the four quarter lookback FCF DSCR covenant for the five quarters ending April 2021 through to April 2022 and the two quarter lookback FCF DSCR covenant for the three quarters ending April 2021 through to October 2021.

17. Ultimate parent company

At 3 January 2021, 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 incorporated in the Cayman Islands at PO Box 309, Ugland House, Grand Cayman, KY1-1104, 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 financial statements are prepared. Copies of its group financial statements are available from 7th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong.