REGISTERED NUMBER: 07035173 (England and Wales)

Strategic Report, Report of the Directors and

Unaudited Financial Statements

for the Period 30 September 2019 to 27 September 2020

for

Intertain (Bars) Limited

Intertain (Bars) Limited

Contents of the Financial Statements
for the Period 30 September 2019 to 27 September 2020

Intertain (Bars) Limited

Company Information
for the Period 30 September 2019 to 27 September 2020

DIRECTORS:	S D Longbottom I T Payne D A Ross
SECRETARY:	*Mazars Company Secretaries Limited*
REGISTERED OFFICE:	3 Monkspath Hall Road Shirley Solihull B90 4SJ
REGISTERED NUMBER:	07035173 (England and Wales)

REVIEW OF BUSINESS

The results of the Company for the 52 weeks ended 27 September 2020 are shown in the profit and loss account on page 9.

The Company delivered a loss after tax of £6,876,000 (2019: £3,428,000). The loss increased due to site closures during the period as a result of the Covid-19 pandemic. The directors are confident that the trading of the Company will continue to develop in the coming year in line with management strategy.

During the period the Company transferred 1 site to a member of the wider group. The total number of sites open at the period end was 17 (2019: 18).

The Company has net liabilities of £43,569,000 (2019: £36,693,000) as at the balance sheet date. The increase in net liabilities compared to last year is due to a combination of a reduction in the carrying value of the group trading balances at the balance sheet date as well as the Company adopting IFRS 16 during the year which has resulted in lease liabilities exceeding the right-of-use asset carrying value by £3,234,000. The directors have satisfied themselves that the Company is a going concern as disclosed in note 2.

On 20 March 2020 the Government enforced the closure of all of the Company's businesses in line with the UK's defence against the Covid-19 pandemic. A three-month full closure ensued, with pubs only able to reopen from 4 July 2020, at which point the Company was able to open the vast majority of its sites, with the exception being its late night venues.

During the closure period the Company's primary focus was to preserve cash and support its employees. The Company took advantage of the Government's furlough scheme with c.95% of Company employees being furloughed and receiving 80% of their pay during the closure period. During the period £1,370,000 was recognised within other income in relation to the Coronavirus Job Retention Scheme; £59,000 in relation to the Government's Eat Out To Help Out scheme and £3,000 was recognised in relation to government grants.

On reopening, the Company continued its robust control over cash and utilised the flexible furlough scheme in order to meet business demands and protect jobs, whilst ensuring that its sites were as safe as possible for its employees and customers. During the year the Company spent £8,000 on screens, protective personal equipment and other Covid-19 protection measures. The Company welcomed the 'Eat Out to Help Out' scheme introduced by the Government during the summer to encourage customers back to the safe environments it had created and the Company was pleased that none of its managed sites received any Covid-19 related fines.

Subsequent to the period end, the Company has endeavoured to open as many sites as it is able to do so safely within the tiering system that was introduced and with the third national lockdown which ended on 12 April 2021 with the opening of outside trading areas. Following the Government's announcement on 14 June 2021 the Company's current expectation is that the entire estate will open once restrictions are lifted on 19 July 2021.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company's operations expose it to a variety of financial risks including the effects of credit risk and liquidity. The Company's principal financial instruments comprise cash sterling balances and bank deposits, bank loans, and other obligations that arise under leases together with trade receivables and trade payables that arise directly out of its operations.

The key risk the Company has faced in the current year has been driven by the Covid-19 pandemic and the impact having an estate of closed pubs has on the Company's ability to continue as a going concern. This is discussed in detail below, together with the key industry and operational risks faced by the Company.

Covid-19 pandemic

On 20 March 2020 the UK Government enforced the first closure of all pubs as part of the efforts to control the Covid-19 pandemic, followed by a second shorter period of closure from 5 November 2020 and a third period that commenced on 5 January 2021 with some restrictions easing from 12 April 2021. In addition, during the period of being open, the Government enforced a tiered system across the country such that in those areas in the highest tiers, all pubs were closed whilst there was some ability to open in lower tiers. Given the rapidly evolving nature of the situation it is difficult to quantify in total the impact Covid-19 could have on the financial performance of the Company, however, it is expected there will be a significant reduction in performance impacting the next 12 months. The Company has been working proactively and continues to do so to protect cash flow through a number of actions including cost reduction, accessing benefits from the Government support schemes including the furlough scheme, the business rates relief, HMRC deferment of indirect tax, postponement of refurbishments and other capital expenditure projects.

The vaccination programme has begun which provides reassurance that a reduction in restrictions is in sight and we expect to gradually see sales return to more normalised levels as consumer confidence increases and certain safety measures are relaxed, however it is noted that the speed of the recovery is uncertain and therefore there continues to be a risk to liquidity. However, Management's cash flow forecasts, that are based on prudent modelling and taking into accounts learnings from the period from March 2020 indicate that the Company has sufficient funds to meet its liabilities as they fall due.

The events and future uncertain effect on trading arising as a result of the Covid-19 outbreak indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern (further details have been provided in note 2).

Industry specific

The hospitality industry is under cost pressures from increased legislation, utility costs, business rates and leasehold rents, which leads to an on-going risk to our business. The Company's established and experienced procurement team manages contracts to ensure the Company mitigates against increases in food and drink costs, and ensures cost control processes are in place. These inflation-driven factors reinforce our already strong emphasis on margins and cost control.

Risks to the Company's day to day trading include deterioration in consumer spending prompted by any downturn in the economy together with potential shifts in consumer spending patterns. The fundamental need for the UK consumer to socialise will always remain, even after the pandemic, however the changes in behaviour are rapid. Therefore, there is a risk to market share if the Company is not positioned to react to these changes. The Company's Segment Strategy Teams, involving marketers, operators and finance, meet regularly to ensure segments respond quickly. The launch of the ordering and pay app in all of our managed sites during July 2020 is an example of this to support table service only.

The Company is subject to various areas of regulation, particularly with regards to the sale of alcohol. This can include licences, permits, late night levies and various restriction orders. The Company works closely with the Police, Local Authorities and trade bodies to ensure we remain compliant with legislation.

The Company's employees are subject to the Working Time Regulations, which controls the hours they are legally allowed to work. In addition, a large portion of the Company's staff are employed at the minimum wage and so the Company is impacted by increases in the minimum wage. The Directors expect that increases will result in an increase in the Company's labour costs, however they expect increases to be mitigated to a certain extent by revenue growth as well as certain measures introduced by the Company to optimize staff scheduling.

Now that the UK has formally left the EU, it remains difficult to fully appreciate the impact on the Company whilst we are in the midst of the Covid-19 pandemic. However, initial expectations are that the agreement of a trade deal between the UK and the EU mitigates some of the exchange rate and cost inflation risk. Once we are fully open and trading again it will become more evident whether there is an impact on the ability to employ good labour, although we are not expecting any significant shortages of labour in the medium term.

Company specific

A large proportion of the Company's managed pub revenues are collected in cash across its pubs and bars, which exposes the Company to potential cash loss. The Company has a strong internal audit department which maintains a comprehensive cash handling policy and ensures there is minimal cash leakage out of the business.

The Company places reliance on key suppliers and distributors to ensure there is a continuous supply of both food, drink and other products to its managed pubs and its publicans. The Company is exposed to the risk of failure by these suppliers to deliver in the required time frames or to the standards expected. The Company works closely with its key suppliers and distribution partners to ensure good working relationships. In addition, a disaster recovery and business continuity plan is established to mitigate such risks.

The Company reinvests in the growth of the business by way of new sites and refurbishment of existing ones. There is a risk that these investments do not perform to the levels expected. The Company performs careful market and financial analysis before committing to such investments.

The Company's operations are reliant on its information technology systems for business processes, accounting, reporting and communication. There is a therefore risk to business operations if there is a critical IT systems loss caused by failure or a security breach. The Company operates offsite recovery capability, with back up data plans in place. Systems are protected by anti-virus software and firewalls, which are regularly kept up to date.

In order to deliver the fantastic customer experience, it is important to attract, develop and retain the best employees for our managed pubs and our support centre. As well as comprehensive career and training programmes, we undertake succession planning and remuneration benchmarking to retain our best employees and offer a variety of training course for our publicans.

Intertain (Bars) Limited

Strategic Report
for the Period 30 September 2019 to 27 September 2020

SECTION 172(1) STATEMENT

Intertain (Bars) Limited Directors have acted in a way that they considered, in good faith, to be most likely to promote the success of the Company for the benefit of its members as a whole and in doing so have given regard, amongst other matters, to the following considerations in the decisions taken during the financial period ended 27 September 2020:

- 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, guests and others;
- The impact of the Company's operations on the community and environment;
- The desirability of the Company maintaining a reputation for high standards of business conduct; and
- The need to act fairly between members of the Company.

The Board has a duty under Section 172 Companies Act 2006 to promote the success of the Company and, in doing so, must take account of the effect on other stakeholders of how it manages the business of the Company, whether these stakeholders are from within the Company, in its group or outside the Company and its group. Throughout the year the Board has kept in mind these responsibilities as it has supervised and monitored the business activities and prospects of the Company and as it has considered, and where appropriate, made decisions relating to strategic aspects of the Company's affairs.

In carrying out these functions, the Board had regard to those stakeholders which it had identified as being of significant importance, as listed below:

- The Company's ultimate shareholder, who benefit from the success of the Company and therefore all business decisions are made by the Board so as to ultimately enhance the medium to long term value of the Company and Group;
- Company employees, who rely on the Company for regular income and job security;
- Customers, who come to the Company's pubs to enjoy drink and food in a safe and enjoyable atmosphere; and
- Suppliers, who we look to form long-term working relationships with in order to harness price benefits for us and demand for product/service for them.

In making their decisions, the Directors consider each stakeholder group and the impact that the outcome of any decisions may have on them to ensure they are in the best interests of the Company now and in the longer term.

The most significant matters considered by the Board in the current year related to the impact of the COVID-19 pandemic on the Company's business. These are considered in more detail below.

Covid-19

The Covid-19 pandemic has impacted all decision making, but throughout this period of uncertainty, the Board remain committed to making decisions that safeguard our people and ensure the business remains financially viable. Throughout the closure period, the Board were required to preserve cash which meant making decisions about the timing of various payments but ensuring that working relationships with our valued suppliers and landlords were maintained, supporting publicans, accessing government support, furloughing employees and amending banking and debt arrangements. The Board is confident that each decision was made in the best interests of the long-term success of the Company whilst also weighing up and considering the interests of the identified stakeholder groups.

ENERGY USE AND THE ASSOCIATED GREENHOUSE GAS EMISSIONS

		Period 30.9.19 to 27.9.20
Energy use	Electricity (kWh)	3,359,878
	Gas (kWh)	4,249,661
Associated GHG emissions (tCO_2e)	Electricity	773
	Gas	765

All of the energy consumed was consumed in the UK.

Energy efficiency action taken
In an effort to mitigate our emissions we have continued to rollout automated refrigeration and timer technologies to reduce our cellar cooling requirements, a key source of carbon. Through monitoring internal/external temperatures and operating hours, the technology is able to adjust cooling accordingly and save up to 30% of the main cellar coolers energy demand. We aim to continue to roll this technology out across our estate over the next few years to further reduce our carbon footprint.

GOING CONCERN
The financial statements have been prepared on a going concern basis. The statement headed "Going Concern" on page 14 sets out certain factors to the Directors' consideration in reaching this assessment.

OWNERSHIP
The immediate parent entity is Intertain Limited. Intertain Limited is a subsidiary of Stonegate Pub Company Limited, a company that is owned by TDR Capital Stonegate L.P., an investment fund managed by TDR Capital LLP, a private equity management firm registered in the UK. TDR Capital LLP takes an active role in the operations of the Company, working in partnership with management to harness opportunities together through board representation and professional support.

ON BEHALF OF THE BOARD:

....
D A Ross - Director

Date: 14/6/21

Intertain (Bars) Limited

Report of the Directors
for the Period 30 September 2019 to 27 September 2020

The directors present their report with the financial statements of the Company for the period 30 September 2019 to 27 September 2020.

PRINCIPAL ACTIVITY
The principal activity of the Company is the operation of licensed bars.

DIVIDENDS
The directors do not recommend the payment of a dividend (2019: £Nil).

EVENTS SINCE THE END OF THE PERIOD
Information relating to events since the end of the period is given in the notes to the financial statements.

DIRECTORS
The directors during the period under review were:

S D Longbottom
I T Payne
D A Ross

Certain directors benefit from qualifying third party indemnity provisions in place during the financial period and at the date of this report. The Company provided qualifying third party indemnity provisions to certain directors of associated companies during the financial period and at the date of this report.

POLITICAL DONATIONS AND EXPENDITURE
The Company made no political donations or incurred any political expenditure during the period (2019: £Nil).

EMPLOYEES
The Company places great importance on the involvement of its employees. They are kept informed of developments through regular meetings. All employees are encouraged to participate in internal or external training schemes to enhance their career prospects.

The Company gives full consideration to applications for employment from disabled persons where the requirement of the job can be adequately fulfilled by a disabled or handicapped person. Where existing employees become disabled, it is the Company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

ON BEHALF OF THE BOARD:

....

D A Ross - Director

Date: 16/6/21

Statement of Directors' Responsibilities
for the Period 30 September 2019 to 27 September 2020

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

Profit and Loss Account
for the Period 30 September 2019 to 27 September 2020

	Notes	Period 30.9.19 to 27.9.20 £'000	Period 1.10.18 to 29.9.19 £'000
TURNOVER	3	16,231	29,629
Cost of sales		(16,963)	(27,714)
GROSS (LOSS)/PROFIT		(732)	1,915
Distribution costs		(325)	(589)
Administrative expenses		(5,969)	(4,699)
		(7,026)	(3,373)
Other operating income	4	1,432	-
OPERATING LOSS		(5,594)	(3,373)
Interest payable and similar expenses	6	(1,282)	(55)
LOSS BEFORE TAXATION	7	(6,876)	(3,428)
Tax on loss	8	-	-
LOSS FOR THE FINANCIAL PERIOD		(6,876)	(3,428)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(6,876)	(3,428)

The notes form part of these financial statements

Intertain (Bars) Limited (Registered number: 07035173)

Balance Sheet
27 September 2020

	Notes	27.9.20 £'000	29.9.19 £'000
FIXED ASSETS			
Intangible assets	10	678	680
Tangible assets	11	38,379	20,207
		39,057	20,887
CURRENT ASSETS			
Stocks	12	254	423
Debtors	13	10,371	12,065
Cash at bank		252	305
		10,877	12,793
CREDITORS			
Amounts falling due within one year	14	(70,372)	(66,853)
NET CURRENT LIABILITIES		(59,495)	(54,060)
TOTAL ASSETS LESS CURRENT LIABILITIES		(20,438)	(33,173)
CREDITORS			
Amounts falling due after more than one year	15	(22,947)	-
PROVISIONS FOR LIABILITIES	18	(184)	(3,520)
NET LIABILITIES		(43,569)	(36,693)
CAPITAL AND RESERVES			
Called up share capital	19	-	-
Other reserves		2,702	2,702
Retained earnings		(46,271)	(39,395)
SHAREHOLDERS' FUNDS		(43,569)	(36,693)

The notes form part of these financial statements

continued...

Balance Sheet - continued
27 September 2020

The Company is entitled to exemption from audit under Section 479A of the Companies Act 2006 relating to subsidiary companies for the period ended 27 September 2020.

The members have not required the Company to obtain an audit of its financial statements for the period ended 27 September 2020 in accordance with Section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for:
(a) ensuring that the Company keeps accounting records which comply with Sections 386 and 387 of the Companies Act 2006 and
(b) preparing financial statements which give a true and fair view of the state of affairs of the Company as at the end of each financial year and of its profit or loss for each financial year in accordance with the requirements of Sections 394 and 395 and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements, so far as applicable to the Company.

The financial statements were approved by the Board of Directors and authorised for issue on ....16/6/21............... and were signed on its behalf by:

....

D A Ross - Director

Statement of Changes in Equity
for the Period 30 September 2019 to 27 September 2020

	Called up share capital £'000	Retained earnings £'000	Other reserves £'000	Total equity £'000
Balance at 1 October 2018	-	(35,967)	2,702	(33,265)
Deficit for the period	-	(3,428)	-	(3,428)
Total comprehensive loss	-	(3,428)	-	(3,428)
Balance at 29 September 2019	-	(39,395)	2,702	(36,693)
Deficit for the period	-	(6,876)	-	(6,876)
Total comprehensive loss	-	(6,876)	-	(6,876)
Balance at 27 September 2020	-	(46,271)	2,702	(43,569)

The notes form part of these financial statements

1. **STATUTORY INFORMATION**

Intertain (Bars) Limited (the "Company") is a company incorporated by shares and domiciled in England and Wales, registration number 07035173. The registered office is 3 Monkspath Hall Road, Shirley, Solihull, B90 4SJ.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2013/14 Cycle) issued in July 2014 and effective immediately have been applied.

The presentation currency of these financial statements is sterling.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The results of the Company is included in the consolidated financial statements of Stonegate Pub Company Pikco Holdings Limited. The consolidated financial statements of Stonegate Pub Company Pikco Holdings Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from 3 Monkspath Hall Road, Shirley, Solihull, B90 4SJ.

2. **ACCOUNTING POLICIES**

Measurement convention

The financial statements are prepared on the historical cost basis. Non-current assets and disposal Groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

Transition to FRS 101

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening IFRS balance sheet at 1 October 2018, the transition date, for the purposes of the transition to FRS 101.

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Going concern
The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Company's principal activities, together with the principal risks and uncertainties factors likely to affect its future development, performance and position are set out in the Directors' Report on page 7. The financial position of the Company is set out in the Balance Sheet on page 10 which shows net liabilities of £43,569,000 (2019: £36,693,000).

The Company met its day-to-day working capital requirements through its standard trading cycle of cash sales and loans from other group companies. Customers pay by cash resulting in minimal credit risk for the company and the Company takes advantage of supplier's normal credit terms. Therefore, the Company typically operates with net liabilities (current period net current liabilities of £59,495,000; 2019 net current assets of £54,060,000).

Those operations of the company are dependent on Stonegate Pub Company providing additional financial support during that period when required. Stonegate Pub Company Limited has indicated its intention to continue to make available such funds as are needed by the Company. As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

The Stonegate Pub Company Limited ('Stonegate Group') consolidated financial statements for the period ending 27 September 2020 indicate that a material uncertainty exists over its ability to continue as a going concern as the uncertain future effect on trading as a result of the Covid-19 pandemic and in particular uncertainty regarding the substantial achievement of base case forecasts and, in downside scenarios, the continued availability of existing facilities and the availability of such additional funding as may be needed. The following basis of preparation wording has been included in the group accounts:

The Group met its day-to-day working capital requirements through its standard trading cycle of cash generation and its £250 million combined overdraft and revolving credit facility. The Directors consider that this is a normal feature of trading in this industry. In the managed business, customers pay by cash or card at the point of sale, resulting in minimal credit risk, whilst in the leased and tenanted business, the Group has a dedicated credit control function, who are able to manage the credit risk exposure. The Group typically operates with net current liabilities (current period net current liabilities of £68 million; 2019: net current liabilities of £83 million). At the period end the Group had drawn down £175 million of its revolving credit facility (2019: £3 million).

At the balance sheet date, the Group was financed by external debt totalling £2,976 million (2019: £745 million), details of which are set out in note 20. As a result of the acquisition on 3 March 2020:
o Stonegate Pub Company Financing 2019 plc received the net proceeds from the issue of senior secured fixed rate notes of £950 million; privately placed fixed rate notes of £500 million; and floating rate notes of £300 million.
o Stonegate Pub Company Bidco Limited received the net proceeds from the issue of a £179 million Senior Term Loan as well as a £400 million Second Lien Facility; and
o The Group repaid its Secured Fixed and Floating Notes of £745 million and Ei Group Limited external debt of £1,209 million.

During the period the Group also received a cash injection from TDR Capital LLP, the ultimate controlling party, of £50 million and subsequent to the year end in December 2020 has raised a further £120 million in the debt markets as disclosed in note 31.

continued...

The COVID-19 pandemic has had a significant impact on the liquidity of the Group during the year and will continue to do so during the going concern period. Since the initial closure of the estate on 20 March 2020, the Group has implemented appropriate measures to reduce the impact on the business, including cost reduction, accessing benefits from the Government support schemes including the Coronavirus Job Retention Scheme, business rates relief and HMRC deferment of indirect tax, postponement of refurbishments and other capital expenditure projects.

The base case forecasts are for a period until July 2022 and are based on an expected lockdown period then a forecast recovery rate upwards from that assumption back to 'normalised' trade. The assumption for January to March 2021 is that pubs must remain closed and can then reopen with restrictions from April 2021. Management assume that trade grows from April, with normalised trading levels (being similar to the trade in the year ended 30 September 2019) returning from July 2021 and continuing throughout the rest of the going concern period.

The directors believe that although forecasting is difficult, the phasing in the base case model represents an appropriate approach as the vaccination programme is rolled out, restrictions are expected to be relaxed and people's confidence to visit a venue grows. The forecasts include controllable actions such as a delay in all non-committed capital expenditure and leasehold rent payments (as allowed under the rent moratorium), a reduction in variable costs, and taking advantage of the 12-month business rates holiday announced for the hospitality sector.

As well as the base case forecasts indicating that there is sufficient liquidity in the Group, the forecasts also indicate that there are no breaches to covenants within either the Group's revolving credit facility nor the Unique securitisation. However if sales levels were not to rise in line with base case forecasts, there is a risk that these could be breached.

The Board has also considered a severe downside scenario where there is a further two-month lockdown in the winter of 2021/22. Should this be the case, the Group would have insufficient liquidity in January 2022. The directors believe that sufficient mitigating actions are available to them to give them confidence that such a lockdown would not compromise the going concern of the business. Such mitigating actions could include the sale of assets, the raising of new debt or equity and/or amending the timing of payments due to third parties.

In addition, should there be a delay in the reopening of pubs by two months until the start of June, the DSCR covenant in the Unique securitisation would breach in the June 2021 quarter, without further mitigation. If the Group was unable to comply with the DSCR covenant, there is a risk that the lenders would require immediate repayment of the bonds. Furthermore, if EBITDA was 35% below Management's forecasts, the RCF covenant could breach in the first quarter of the next financial year. Whilst the Group does not intend to negotiate any further amendments or waivers with the Unique bondholders and the RCF lenders, both groups have been supportive already and Management are confident they would be supportive again if required.

Based on the above, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, the future uncertain effect on trading arising as a result of the Covid-19 pandemic and in particular the substantial achievement of base case forecasts and, in downside scenarios, the continued availability of existing facilities and the availability of such additional funding as may be needed, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. The financial statements do not contain the adjustments that would result if the Company was unable to continue as a going concern.

continued...

2. **ACCOUNTING POLICIES - continued**

FRS 101 Reduced Disclosure Exemptions
The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 "Reduced Disclosure Framework":

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases;
  the requirements of paragraph 58 of IFRS 16;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
  - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10)(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group;
- the requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairments of Assets.

continued...

2. **ACCOUNTING POLICIES - continued**

Significant accounting estimates
The preparation of the financial statements requires management to make judgements, estimates and assumptions in the application of accounting policies that affect reported amounts of assets, liabilities, revenues and expenses during the period.

Management periodically evaluates its estimates and judgements and bases them on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about the carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates.

Key accounting judgements
The following are the key judgements, apart from those involving estimations, dealt with separately below, that management have made in the process of applying the Company's accounting policies and which have the most significant effect on the amounts recognised in the financial statements.

Exceptional items
During the period certain items are identified and separately disclosed as exceptional. Judgement is applied as to whether the item meets the necessary criteria as per the accounting policy disclosed. This assessment covers the nature of the item, cause of occurrence and the scale of impact of that item on reported performance. Note 9 provides information on all of the items disclosed as exceptional in the current and previous period.

Going concern
The directors exercise judgement when concluding on going concern as the basis of preparation of the financial statements. For further details see Going Concern on page 14.

Key areas of estimation
The following are the key areas of estimation uncertainty that may have the most significant effect on the amounts recognised in the financial statements.

Impairment of property, plant, equipment and operating leases
Property, plant and equipment and operating leases are reviewed for impairment if there are any indicators to suggest that the carrying amount may not be recoverable. Recoverable amounts are determined based on value-in-use calculations and estimated sales proceeds. These calculations require assumptions to be made regarding projected cash flows and the choice of a suitable discount rate in order to calculate the present value of those cash flows. Actual outcomes may vary from these estimates. These are disclosed in note 11.

2. **ACCOUNTING POLICIES - continued**

Leases

As a lessee

The Company leases properties.

At the inception of a contract the Company assesses whether that contract is or contains a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company has taken the practical expedient in paragraph C3 of IFRS 16 'Leases' not to reassess whether an existing contract is or contains a lease at the date of initial application and as such the IFRS 16 definition of a lease has only been applied to contracts which were entered into or amended on or after 29 September 2019.

The Company has elected not to apply the lessee requirements of IFRS 16 to short-term leases and leases for which the underlying asset is of low value. The lease payments for such leases are recognised as an expense on a straight-line basis over the lease term.

For all other leases where it is the lessee the Company recognises a lease liability and a right-of-use asset at the commencement date of the lease.

The lease liability is initially measured at the present value of the remaining lease payments at commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The carrying amount of the lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made.

The lease liability is re-measured when there is a change in future lease payments arising from a change in an index rate or, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

For rent concessions in leases the Company assesses whether there is a lease modification. The lease liability is then re-measured at the present value of the revised lease payments at the modification date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the 's Company's incremental borrowing rate. The change in the present value of the lease liability is accounted for as an increase to the right-of-use asset where it relates to a future change, with any element relating to a past payment dated before the modification date accounted for in the income statement.

The right-of use asset is recognised at an amount equal to the total of the lease liability, any lease payments made at or before the commencement date, any initial direct costs and the estimated future dismantling, removal and site restoration costs. The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment', the same line item as it presents underlying assets of the same nature that it owns.

Right-of-use assets included in property, plant and equipment are initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for any re-measurements or modifications of the lease liability. Where the right-of-use asset is in relation to an investment property it is initially measured at cost, and subsequently measured at fair value, in accordance with the Company's accounting policies. Where a property held on lease transfers from PPE to investment property the right of use asset is revalued to fair value before transfer.

continued...

2. **ACCOUNTING POLICIES - continued**

In the prior period under IAS 17 Leases, rental costs under operating leases, including lease incentives, were charged to the profit and loss account on a straight-line basis over the term of the lease. Similarly, income receivable under operating leases was credited to the profit and loss account on a straight-line basis over the term of the lease.

As a lessor
Lessor accounting remains similar to IAS 17, whereby the lessor continues to classify leases as finance or operating leases, however, the standard prescribes that the sub-lease of an asset held on a lease is categorised as a finance lease or an operating lease with reference to the right of use asset arising from the head lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Where a property that is leased is re-leased to a third party and that sub-lease is categorised as a finance lease the right of use asset is derecognised and it is replaced by a financial asset being the net investment in that sublease. The net investment in the sub-lease is calculated as the net present value of the future rent payments receivable at the interest rate implicit in the sub-lease or, if that cannot be readily determined, at the discount rate used for the head lease.

The Company applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of revenue.

Lease acquired in a business combination
For leases acquired in a business combination, the Company measures the acquired lease liability at the present value of the remaining lease payments, as if the acquired lease were a new lease at the acquisition date. The right-of-use asset is measured at acquisition at the same amount as the lease liability, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Changes in significant accounting policies - IFRS 16 Leases
The Company has initially adopted IFRS 16 Leases from 30 September 2019. IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Company, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Company has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 30 September 2019. Accordingly, the comparative information presented for 2019 has not been restated - i.e. it is presented, as previously reported, under IAS 17 and related interpretations.

See note 17 for the impact of IFRS 16 on transition at 30 September 2019 and on the period ending 27 September 2020.

continued...

2. **ACCOUNTING POLICIES - continued**

Turnover

Turnover is measured at the fair value of the consideration received or receivable and is mainly derived from the sale of food and drinks to third parties, after deducting discounts and VAT. It also includes certain services such as provision of entertainment. Turnover is recognised at the point of sale. Amusement machine royalties are recognised in the accounting period to which the income relates.

All turnover is derived from one principal activity of the business, based solely within the United Kingdom.

Government grant

Money received in the form of a government grant is treated as revenue grant. Therefore, grant income is recorded within other income in the profit and loss account on a systematic basis in the same periods as the related expenses incurred.

Supplier incentives

Supplier incentives and rebates are recognised within other income as they are earned. The accrued value at the reporting date is included in trade debtors.

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions is capitalised. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment, or more frequently where events or changes in circumstances indicate that the carrying value may be impaired.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

•leasehold properties are depreciated over the shortest of 50 years, their estimated useful lives and their remaining lease periods;

•retail, administration and short-life landlords' furniture, fixtures, fittings and equipment are depreciated over 3 to 15 years; and

•right-of-use assets are depreciated over their lease lives.

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

continued...

2. **ACCOUNTING POLICIES - continued**

Non-derivative financial instruments
Non-derivative financial instruments comprise trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade debtors and trade creditors
Trade debtors are held at their original invoiced amount net of an Expected Credit Loss ("ECL") allowance based on the simplified model as allowed by IFRS 9. The Company has adopted the simplified impairment model to measure the expected lifetime credit losses on its trade debtors. Using a provision matrix the Company analyses its historic bad debt experience to create an ageing profile which it then applies to its trade receivables balance as at the reporting date. The Company writes off its trade debtors when it has no reasonable expectation of recovery of the debt.

Trade creditors are held at amortised cost.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits.

Interest-bearing borrowings
Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Stocks
Stocks are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price less any costs of disposal. In determining the cost of stock, the latest purchase price is used.

Taxation
Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

continued...

2. **ACCOUNTING POLICIES - continued**

Employee benefit costs

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

continued...

2. **ACCOUNTING POLICIES - continued**

Non-financial assets
The carrying amounts of the Company's non-financial assets, other than investment property, stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

The Company considers each of its individual pubs as a cash generating unit. Each CGU is reviewed annually for indicators of impairment. When indicators of impairment are identified the carrying value of the individual pub is compared to its recoverable amount. The recoverable amount is determined as being the greater of its value in use and its fair value less costs to sell.

The Company annually tests whether goodwill has been impaired. Management makes judgements to allocate goodwill to the group of CGUs that benefits from the synergy of acquisitions and reflects the level at which goodwill is monitored, on the basis goodwill is allocated to the entire estate. The recoverable amount of the CGUs that the goodwill has been allocated to is determined based on value-in-use calculations which require estimating future cash flows and applying a suitable discount rate.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Provisions
A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

3. **TURNOVER**

Turnover disclosed in the profit and loss account of £16,231,000 (2019: £29,629,000) relates to the sale of food, beverages, admissions, hotel rooms and machine income.

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4. **OTHER OPERATING INCOME**

	Period 30.9.19 to 27.9.20 £'000	Period 1.10.18 to 29.9.19 £'000
Other income	1,432	-

During the period £1,370,000 was recognised within other operating income in relation to the Coronavirus Job Retention Scheme; £59,000 in relation to the Government's Eat Out To Help Out scheme and £3,000 was recognised in relation to Council Grants.

5. **EMPLOYEES AND DIRECTORS**

	Period 30.9.19 to 27.9.20 £'000	Period 1.10.18 to 29.9.19 £'000
Wages and salaries	5,402	6,659
Social security costs	324	450
Other pension costs	75	69
	5,801	7,178

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

	Period 30.9.19 to 27.9.20	Period 1.10.18 to 29.9.19
Retail	428	481

DIRECTORS' REMUNERATION

Directors remuneration and staff costs are borne by fellow group Companies and are not recharged to the Company in both the current and previous period. The notional cost to the entity of the directors was £69,000 during the period (2019: £331,000).

6. **INTEREST PAYABLE AND SIMILAR EXPENSES**

	Period 30.9.19 to 27.9.20 £'000	Period 1.10.18 to 29.9.19 £'000
Bank interest	1	-
Other interest payable	-	55
Discounting of lease liabilities	1,281	-
	1,282	55

continued...

7. LOSS BEFORE TAXATION

The loss before taxation is stated after charging/(crediting):

	Period 30.9.19 to 27.9.20 £'000	Period 1.10.18 to 29.9.19 £'000
Depreciation - owned assets	4,240	2,868
(Profit)/loss on disposal of fixed assets	(6)	1,079
Exceptional operating items (see note 9)	1,285	2,825

8. TAXATION

Analysis of tax expense
No liability to UK corporation tax arose for the period ended 27 September 2020 nor for the period ended 29 September 2019.

Factors affecting the tax expense
The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The difference is *explained below:*

	Period 30.9.19 to 27.9.20 £'000	Period 1.10.18 to 29.9.19 £'000
Loss before income tax	(6,876)	(3,428)
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%)	(1,307)	(651)
Effects of:		
Expenses not deductible	60	(121)
Group relief surrendered but not paid for	1,024	197
Adjustments in respect of previous years	(70)	526
Impact of rate change	-	49
Deferred tax asset not recognised	293	-
Tax expense	-	-

The company has unrecognised deferred tax assets at 27 September 2020 of £293,000 (2019: £145,000).

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the company's future current tax charge accordingly. The deferred tax asset at 27 September 2020 has been calculated at 19%.

In the 3 March 2021 Budget it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the company's future tax charge.

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9. **EXCEPTIONAL ITEMS**

	27.9.2020	29.9.2019
Operating exceptional items	£000	£000
Impairment of property, plant and equipment (see note 11)	1,255	2,416
Restructuring costs	22	390
Onerous lease provision	-	(570)
Impairment of intercompany debt	-	589
Covid-19 costs	8	-
Total exceptional items	1,285	2,825

Restructuring costs: During the current and previous period the Company incurred costs relating to process and efficiency improvement.

Onerous lease provision: During the previous period the Company released a provision of £570,000 in relation to a site transfer during the period.

Impairment of intercompany debt: During the previous period the company performed an assessment of its receivables and concluded that intercompany debt of £589,000 is not receivable.

Covid-19 costs: During the period the Company incurred one off cleaning costs related to Covid-19.

10. **INTANGIBLE FIXED ASSETS**

	Goodwill
	£'000
COST	
At 30 September 2019	1,068
Transfer to group companies	(7)
At 27 September 2020	1,061
AMORTISATION	
At 30 September 2019	388
Transfer to group companies	(5)
At 27 September 2020	383
NET BOOK VALUE	
At 27 September 2020	678
At 29 September 2019	680

continued...

10. ***INTANGIBLE FIXED ASSETS - continued***

Impairment testing

Goodwill acquired via business combinations is tested annually for impairment. Goodwill is tested for impairment by comparing the recoverable amount to the carrying amount. The recoverable amount is the higher of the fair value less costs of disposal and value in use.

The basis used for the recoverable amount is value in use. Forecast EBITDA and cash flows were prepared over a two year period. The key assumptions in these estimates are trading margin and levels of working capital required to support trading. Key assumptions have been assigned values by management using estimates based on past experience and expectations of future changes in the market. These assumptions have been reviewed by the Board and are believed to be reasonable. Cash flows are extrapolated using a 5% growth rate for a further three years, after which a 2.5% percentage growth rate is applied into perpetuity. The key driver to maintaining the growth rate is management's focus on selecting and supporting the best formats and pub operators, whilst meeting the challenges of changing consumer demand. The forecast cash flows are then discounted to give a value in use using a pre-tax risk adjusted discount rate of 8.35% (2019: 8.15%). The discount rate used is based on the Company weighted average cost of capital (WACC) which has been risk adjusted to reflect current market factors which have not already been captured within the cash flows. In making this adjustment to the Company WACC management have risk adjusted the cost of debt and the cost of equity by using an average of market risk premiums and Company betas at the period end date. The cost of equity has been further inflated by using a theoretical share price derived from peer group data. As at 27 September 2020, the impairment test has resulted in no goodwill impairment.

There remains a risk that following the period end, restrictions on trading and additional national lockdowns may lead to further impairments being recognised in the period to 26 September 2021.

Sensitivity analysis

The calculation is most sensitive to changes in assumptions used for pre-tax discount rate and growth rate. Given the uncertainty surrounding future trading levels as a result of the Covid-19 pandemic, Management have also modelled the impact on headroom of 90% of normalised sales for the next two years. Management have assessed these and concluded no reasonably possible change in these assumptions could give rise to an impairment.

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11. **TANGIBLE FIXED ASSETS**

	Right-of-use assets £'000	Land and buildings £'000	Fixtures and fittings £'000	Totals £'000
COST				
At 30 September 2019	-	24,466	15,868	40,334
Additions	198	449	923	1,570
Disposals	(2,116)	-	(1,232)	(3,348)
Transfer to group companies	-	(589)	(391)	(980)
Adoption of IFRS 16	24,938	-	-	24,938
At 27 September 2020	23,020	24,326	15,168	62,514
DEPRECIATION				
At 30 September 2019	-	9,170	10,957	20,127
Charge for period	1,730	809	1,701	4,240
Eliminated on disposal	(34)	-	(1,232)	(1,266)
Impairments	-	894	361	1,255
Transfer to group companies	-	(83)	(138)	(221)
At 27 September 2020	1,696	10,790	11,649	24,135
NET BOOK VALUE				
At 27 September 2020	21,324	13,536	3,519	38,379
At 29 September 2019	-	15,296	4,911	20,207

The Company has applied IFRS 16 at 30 September 2019, using the modified retrospective approach. Under this approach the Company recognised a right-of-use asset of £24,938,000 (after adjustments for lease prepayments and accrued lease expenses at 30 September 2019).

11. **TANGIBLE FIXED ASSETS - continued**

Impairment testing

The Company considers each of its individual pubs as a cash-generating unit (CGU). Each CGU is reviewed annually for indicators of impairment, and impairment reversals for previously impaired CGUs. When indicators of impairment are identified the carrying value of the individual pub is compared to its recoverable amount. The recoverable amount is determined as being the higher of the value in use and fair value less costs to sell.

On 20 March 2020, all pubs and restaurants were mandatorily closed under government instruction due to the Covid-19 pandemic. This closure is considered to be a significant indicator of impairment of property, plant and equipment. As a result a full impairment review of all of the Company's property, plant and equipment has been performed by comparing recoverable amount to its carrying values. Any resulting impairment relates to sites with poor trading performance, where the output of the calculation is insufficient to justify their current net book value.

Value in use calculations use forecast trading performance cash flows, which are discounted by applying a pre-tax discount rate of 9.58% (2019: 8.15%). Management has applied a CGU specific risk premium to the discount rate used for goodwill impairment testing. The discount rate used is based on the Company weighted average cost of capital (WACC) which has been risk adjusted to reflect current market factors which have not already been captured within the cash flows. In making this adjustment to the Company WACC management have risk adjusted the cost of debt and the cost of equity by using an average of market risk premiums and Company betas at the period end date. The cost of equity has been further inflated by using a theoretical share price derived from peer group data.

At 27 September 2020, the value in use calculations include an estimate of the impact of expected closure period and subsequent build up in trade post reopening, as a direct result of the Covid-19 pandemic. The site forecast cash flows used in the value in use calculations take into account the response by the UK government to the Covid-19 pandemic and therefore include a longer turnaround of profit back to pre-Covid-19 levels.

Impairments during the period totalling £1,255,000 (2019: £2,416,000) were identified.

There remains a risk that following the period end, restrictions on trading and additional national lockdowns may lead to further impairments being recognised in the period to 26 September 2021.

Sensitivity analysis

Value in use calculations are most sensitive to changes in forecast cash flows and discount rate changes, such that if there was a further years delay in the build-up in trade post reopening as a result of the Covid-19 pandemic, the impairment charge would increase by £652,000. If the discount rate was to increase by 1%, the impairment charge would increase by £946,000.

Disposals

During the period £1,000 of fixed assets were written off as a result of site developments.

The Company also transferred one site to related entities within the wider Group for net consideration of £759,000 and tangible assets with a net book value of £759,000. In relation to the adoption of IFRS 16 credit adjustments of £26,000 were made.

During the period the Company incurred cost of sales of £19,000 relating to a disposal in the prior period.

Total profit on disposal was £6,000.

continued...

12. STOCKS

	27.9.20	29.9.19
	£'000	£'000
Stocks	254	423

The Company consumed £3,552,000 of stock during the period (2019: £6,620,000) and charged £13,000 to the profit and loss account for the write-down of stock during the period (2019: £Nil).

13. DEBTORS

	27.9.20	29.9.19
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	109	288
Corporation tax debtor	-	14
Amounts owed by group undertakings	9,175	-
Other debtors	452	302
Prepayments and accrued income	635	2,721
	10,371	3,325
Amounts falling due after more than one year:		
Amounts owed by group undertakings	-	8,740
Aggregate amounts	10,371	12,065

Amounts due from group undertakings arise as a result of transactions with other subsidiaries which form part of the larger group, are payable on demand and have no associated financing income.

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	27.9.20	29.9.19
	£'000	£'000
Lease liabilities (see note 16)	1,611	-
Trade creditors	1,700	1,201
Amounts owed to group undertakings	65,178	63,965
Tax	11	-
Social security and other taxes	151	127
Other creditors	481	410
Accruals and deferred income	1,240	1,150
	70,372	66,853

Amounts due to group undertakings arise as a result of transactions with other subsidiaries which form part of the larger group, are payable on demand and have no associated financing costs.

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	27.9.20	29.9.19
	£'000	£'000
Lease liabilities (see note 16)	22,947	-

continued...

16. FINANCIAL LIABILITIES - BORROWINGS

	27.9.20 £'000	29.9.19 £'000
Current:		
Lease liabilities (see note 17)	1,611	-
Non-current:		
Lease liabilities (see note 17)	22,947	-

Terms and debt repayment schedule

	1 year or less £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000	Totals £'000
Lease liabilities	1,611	1,698	5,094	16,155	24,558

17. LEASING

Lease liabilities

Minimum lease payments fall due as follows:

	27.9.20 £'000	29.9.19 £'000
Gross obligations repayable:		
Within one year	1,707	-
Between one and five years	7,140	-
In more than five years	16,994	-
	25,841	-
Finance charges repayable:		
Within one year	96	-
Between one and five years	348	-
In more than five years	839	-
	1,283	-
Net obligations repayable:		
Within one year	1,611	-
Between one and five years	6,792	-
In more than five years	16,155	-
	24,558	-

continued...

17. **LEASING - continued**

Leases as a lessee

Impacts on transition

The Company has initially adopted IFRS 16 Leases from 30 September 2019. IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Company, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. For further information on the Company's leases accounting policy see page 18.

On transition to IFRS 16, the Company recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The impact of transition is summarised below.

	30 September 2019 £'000
Right-of-use assets presented in property, plant and equipment	24,938
Trade and other debtors	(648)
Trade and other creditors	216
Provisions	1,307
Lease liabilities	(25,813)

Reconciliation between operating lease commitments and lease liability

The following table explains the difference between the operating lease commitments disclosed applying IAS 17 at 29 September 2019 and the lease liabilities recognised on adoption of IFRS 16 at 30 September 2019.

	30 September 2019 £'000
Operating lease commitment at 29 September 2019 as disclosed in the Company's financial statements	36,673
Impact of discounting using the incremental rate at 30 September 2019	(13,947)
Change in assessment of lease term under IFRS 16	3,087
Lease liabilities recognised at 30 September 2019	25,813

Impacts for the period

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment', the same line item as it presents underlying assets of the same nature that it owns. The following table sets out the movement in the Company's right-of-use assets during the period and the carrying value at 27 September 2020:

	Total £'000
Balance at 30 September 2019	24,938
Additions	198
Depreciation charge for the year	(1,731)
Derecognition	(2,081)
Balance at 27 September 2020	21,324

continued...

17. **LEASING - continued**

The following amounts have been recognised in profit or loss for which the Company is a lessee:

	27.9.20
Leases under IFRS 16	£'000
Interest expense on lease liabilities	1,281
Depreciation expense on right-of-use assets	1,731
	3,012

	29.9.19
Operating leases under IAS 17	£'000
Lease expense	2,269

In relation to those leases under IFRS 16, for the 52 weeks ending 27 September 2020, the Company's *operating profit metric decreased* by £1,731,000 as the new depreciation expense is lower than the IAS 17 operating lease charge; however net finance costs are higher than this, at £1,281,000, such that net profit after tax is lower compared to the previous IAS 17 reporting basis. Operating profit before depreciation, amortisation, impairment and loss on sale of fixed assets is higher compared to the previous IAS 17 reporting basis.

18. **PROVISIONS FOR LIABILITIES**

	27.9.20	29.9.19
	£'000	£'000
Other provisions	184	3,520

	Other provisions
	£'000
Balance at 30 September 2019	3,520
Credit to Profit and Loss Account during period	(29)
Adoption of IFRS 16	(1,307)
Walkabout Swansea Release	(2,000)
Balance at 27 September 2020	184

continued...

18. **PROVISIONS FOR LIABILITIES - continued**

Included in other provisions is an onerous site cost provision which includes amounts for lease rentals and costs of exiting closed and loss-making sites which the Company acquired during the period. The Directors have determined that these sites operate under onerous property leases and have provided the expected shortfall between operating income and rents payable for a property. The estimated period required to mitigate these losses is identified on an individual property basis. The release of the provisions primarily relates to the successful exit of sites at a rate below originally expected. As part of the adoption of IFRS 16 during the period, an opening transition adjustment of £1,307,000 was made. The balance as at 27 September 2020 was £nil (2019: £1,307,000).

On 10 March 2020, the ongoing legal case regarding Walkabout Swansea, which the Company was fully indemnified against, was settled for £Nil. The provision of £2,000,000 relating to the this has been released and the debtor of £2,000,000 has been removed in the current period.

The health and safety claims provision is an estimate of claims which the Company expects to settle over the next two years. These claims generally relate to minor incidents of personal injury at sites and the level of provision has been based on managements' expected future successful claim rate. During the period £29,000 was released to the profit and loss account. The balance as at 27 September 2020 was £184,000 (2019: £213,000).

19. **CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	**27.9.20** **£**	29.9.19 £
2	Ordinary	£1	2	2

20. **ULTIMATE PARENT COMPANY**

The ultimate parent company is Stonegate Pub Company Topco Sarl, a company incorporated in Luxembourg. The ultimate controlling party is TDR Capital Stonegate L.P., an investment fund managed by TDR Capital LLP, a private equity management firm.

21. **CAPITAL COMMITMENTS**

	27.9.20 **£'000**	29.9.19 £'000
Contracted but not provided for in the financial statements	-	6

22. **RELATED PARTY DISCLOSURES**

The company has taken advantage of the exemption under FRS 101 and has therefore not disclosed transactions or balances with entities which are members of the group headed by Stonegate Pub Company Limited.

continued...

23. EVENTS AFTER THE REPORTING PERIOD

Post period end in response to the Coronavirus pandemic all of the wider group pubs, from which the Company receives financial support, in England were closed on 5 November 2020 for a period of 4 weeks and again on 5 January 2021. Since this date, management has taken actions to mitigate the consequential and significant impact on both profit and cash flow of these closures. These actions include reducing the Company's cash outflows in non-essential areas, accessing government's support packages in order to safeguard employment and strengthening both short-term and long-term financing.

On 22 February 2021 the Government announced its 'roadmap' out of the national lockdown. The Company expects to be able to open a majority of its estate, those that have outside trading space, from 12 April 2021, and more of its estate from 17 May 2021 in line with this announcement. The Company's current expectation is that the entire estate will be open once restrictions are lifted on 19 July 2021.

24. MANAGEMENT INCENTIVE PLAN

During the prior period; the Stonegate Pub Company Limited Group, which this entity is a part of, established a management incentive plan to reward certain employees, including directors and managers, for their future service. Under the plan those employees will realise a gain only if there is a growth in the equity value of the business (subject to certain 'ratchets') and only if an exit event occurs while they are still employed by that Group. The award has been classified as equity-settled. An exit event would occur either upon an initial public offering of the Stonegate group ('IPO') or some other form of sale (e.g. to a trade buyer). There is inherent uncertainty in determining a suitable vesting period given that an exit event, whilst within the control of the Group's ultimate owners, may not happen for many years if at all. However, for the purposes of considering the impact of IFRS 2, the directors consider it reasonable to use a minimum vesting period of 5 years.

The scheme is operated by the Company's ultimate owners and is established through subscription to shares in the Stonegate Pub Company Limited Group's immediate parent company. A total of 1.5 million shares have been issued at an aggregate price of £16.3 million (£10.93 per share). The scheme was established on 28 February 2019. There have been no leavers, no forfeits, no expiries, no exercises and no further grants since this point. Information on the fair value at the date of grant has been obtained through the transaction price relating to the acquisition of the Stonegate Group by a new private equity fund (TDR Capital Stonegate L.P.) at fair value from the previous private equity fund (TDR Capital II). The return available to the participating employees increases at a greater rate depending on the extent of growth in the equity value. No dividends will accrue under this award.

The Company is a member of a group share-based payment plan, and it recognises and measures its share-based payment expense on the basis of a reasonable allocation of the expense recognised for the group. The basis for reasonable allocation is based on the services provided by the employees to each of the Company's operating sites

There are no other share based payment schemes.

25. EXPLANATION OF TRANSITION TO FRS 101

As stated in note 2, these are the Company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in note 2 have been applied in preparing the financial statements for the period ended 27 September 2020 and the comparative presented in these financial statements for the period ended 29 September 2019.

In preparing its FRS 101 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (FRS 102). An explanation of how the transition from FRS 102 to FRS 101 has affected the Company's financial position and performance is set out in the following tables and the notes that accompany the tables.