

**Hops Pub Company Limited**

**Annual report and financial statements**

**Registered number 6457363**

**For the 52 weeks ended 24 September  
2017**

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*Hops Pub Company Limited*  
*Annual report and financial statements*  
*For the 52 weeks ended 24 September 2017*

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**Company information**

**Directors**

Suzanne Baker

David Ross

Simon Longbottom

**Secretary**

Mazars Company Secretaries Limited

Tower Bridge House

St Katharine's Way

London

E1W 1DD

**Auditors**

KPMG LLP

Altius House

One North Fourth Street

Milton Keynes

MK9 1NE

**Registered Office**

Porter Tun House

500 Capability Green

Luton

Bedfordshire

LU1 3LS

## **Strategic report**

### **Principal activities**

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

### **Business review**

The results of the Company for the 52 weeks ended 24 September 2017 are shown in the profit and loss account on page 8.

The Company delivered a loss after tax of £2,975,000 (2016: £4,705,000). 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 disposed of one site to an external third party. The total number of sites open at the period end was 43 (2016: 44).

The Company has net liabilities £1,571,000 (2016: net assets £823,000) as at the balance sheet date and the directors have satisfied themselves that the Company is a going concern as disclosed in note 1.

### **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 main risks can be analysed as:

#### Industry specific

The industry is under cost pressures from legislation, utility costs, business rates and leasehold rents, which leads to an on-going risk to our business. Hops established and experienced procurement team, manage contracts to ensure we mitigate against increases in food and drink costs, as well as ensuring 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, 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 focus tends to be on opportunities, such as within the expanding dining out market as well as broad ranges of products which appeal to all demographics.

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. Hops Pub Company works closely with the Police, Local Authorities and trade bodies in order 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, as a number of the Company's staff are employed at the national living wage, the Company is impacted by increases in the national living wage. The Directors expect that imminent 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 resulting from higher wages, as well as certain measures introduced by the Company.

**Strategic report (continued)**

**Principal risks and uncertainties (continued)**

**Industry specific (continued)**

The referendum decision to trigger Article 50 to begin the process of leaving the EU does bring a degree of risk and uncertainty to the business. This is due to potential impacts on the business due to uncertainty in the political and economic environment. Initial impacts seen are around movement of people, exchange rates and the cost of imports which we will need to commercially manage through negotiation and retail pricing. There is nothing seen to date to suggest any material impacts from the referendum.

**Company specific**

A large proportion of the Company's revenues are collected in cash across its 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.

Reliance is placed on key suppliers to ensure continuous supply of both food and drink. The Company is exposed to the risk of failure by these suppliers to deliver to the required time scales or standards. 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 outlets and refurbishment of existing outlets. 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.

There is a 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 and develop our people within the organisation. As well as our career pathway and training programme, we undertake succession planning and remuneration benchmarking in order to retain our best people.

**Going concern**

The financial statements have been prepared on a going concern basis. The statement headed "Going Concern" on page 13 sets out certain factors to the Directors' consideration in reaching this assessment.

**Ownership**

The immediate controlling party is Town and City Pub Group Limited. Town and City Pub Group Limited is a subsidiary of Stonegate Pub Company Limited, a company that is owned by various investment funds managed by TDR Capital LLP, a private equity management firm. 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.

**Approval**

The Directors' Strategic Report was approved by the Board on 11 JUNE 2018 and signed on its behalf by:

By order of the board

  
David Ross  
Director

## **Directors' report**

The Directors present their annual report together with the statutory financial statements for the 52 weeks ended 24 September 2017.

### **Directors**

The directors who held office during the period were as follows:

S Baker  
D Ross  
S Longbottom

Certain directors benefited 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.

### **Results and dividends**

The loss after tax was £2,975,000 (2016: £4,705,000).

The directors do not recommend the payment of a dividend (2016: £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.

### **Political contributions**

The Company made no disclosable political donations or incurred any disclosable political expenditure during the period (2016: £Nil).

### **Disclosure of information to auditor**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

### **Auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



David Ross  
Director

Porter Tun House  
500 Capability Green  
Luton  
Bedfordshire  
LU1 3LS

Date: 19 JUNE 2018

**Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements**

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 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 of its profit or loss 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 estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **Independent auditor's report to the members of Hops Pub Company Limited**

### **Opinion**

We have audited the financial statements of Hops Pub Company Limited ("the company") for the year ended 24 September 2017 which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 24 September 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **Going concern**

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

### **Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### **Matters on which we are required to report by exception**

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

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

We have nothing to report in these respects.



**Independent auditor's report to the members of Hops Pub Company Limited (continued)**

**Directors' responsibilities**

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

**The purpose of our audit work and to whom we owe our responsibilities**

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.



Simon Haydn-Jones (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
Altius House  
One North Fourth Street  
Milton Keynes  
MK9 1NE

Date: 22 June 2018

*Hops Pub Company Limited*  
*Annual report and financial statements*  
*For the 52 weeks ended 24 September 2017*

**Profit and loss account**  
for the 52 weeks ended 24 September 2017

		52 weeks ended 24 September 2017 £000	52 weeks ended 25 September 2016 £000
	Notes		
<b>Turnover</b>	2	46,730	46,317
<b>Cost of sales</b>		(45,265)	(44,961)
<b>Gross profit</b>		1,465	1,356
<b>Selling and distribution costs</b>		(457)	(489)
<b>Administrative expenses</b>		(2,502)	(2,029)
<b>Administrative expenses - exceptional operating items</b>	7	(43)	(2,190)
<b>Total administrative expenses</b>		(2,545)	(4,219)
<b>Operating loss</b>		(1,537)	(3,352)
<b>Loss on sale of fixed assets</b>		(1,177)	(798)
<b>Loss on sale of fixed assets - exceptional</b>	7	-	(683)
<b>Total loss on sale of fixed assets</b>	12	(1,177)	(1,481)
<b>Loss on ordinary activities before interest and taxation</b>		(2,714)	(4,833)
<b>Interest receivable</b>	5	1	26
<b>Interest payable and similar charges</b>	6	(278)	(314)
<b>Loss on ordinary activities before taxation</b>		(2,991)	(5,121)
<b>Taxation</b>	8	16	416
<b>Loss for the financial period</b>		(2,975)	(4,705)

All of the Company's operations are classed as continuing.

The notes on pages 12 to 30 form part of the financial statements.

*Hops Pub Company Limited*  
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**Statement of comprehensive income**  
for the 52 weeks ended 24 September 2017

		2017	2016
		52 weeks	52 weeks
	Notes	£000	£000
<b>Loss for the period</b>		<b>(2,975)</b>	<b>(4,705)</b>
<b>Items that will not be reclassified to profit or loss</b>			
Actuarial gains/(losses) on defined benefit pension schemes	22	699	(692)
Tax (credit)/charge relating to components of other comprehensive		(118)	118
<b>Other comprehensive income/(losses) after tax</b>		<b>581</b>	<b>(574)</b>
<b>Total comprehensive loss for the period</b>		<b>(2,394)</b>	<b>(5,279)</b>


The notes on pages 12 to 30 form part of the financial statements.

*Hops Pub Company Limited*  
Annual report and financial statements  
For the 52 weeks ended 24 September 2017

**Balance sheet**  
at 24 September 2017

		24 September 2017 £000	25 September 2016 £000
	Notes		
<b>Fixed Assets</b>			
Intangible assets	9	2,553	2,664
Tangible assets	10	16,286	15,069
		18,839	17,733
<b>Current assets</b>			
Stock	14	726	705
Debtors (including £1,520,000 (2016: £1,622,000) due after more than one year)	13,15	19,055	21,167
Retirement benefit asset	22	764	64
Cash and cash equivalents		141	127
		20,686	22,063
<b>Creditors: amounts falling due within one year</b>	16	(39,760)	(12,912)
<b>Net current (liabilities)/assets</b>		(19,074)	9,151
<b>Total assets less current liabilities</b>		(235)	26,884
<b>Creditors: amounts falling due after more than one year</b>	17	-	(25,322)
<b>Provisions for liabilities</b>	19	(1,336)	(739)
		(1,336)	(26,061)
<b>Net (liabilities)/assets</b>		(1,571)	823
<b>Capital and reserves</b>			
Called up share capital	20	1	1
Capital contribution reserve		1,489	1,489
Retained earnings		(3,061)	(667)
<b>Shareholders' funds</b>		(1,571)	823

These financial statements were approved by the board of directors on 11 JUNE 2018 and were signed on its behalf by:



David Ross  
Director

Company registered number: 6457363

The notes on pages 12 to 30 form part of the financial statements.

*Hops Pub Company Limited*  
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**Statement of changes in equity**  
for the 52 weeks ended 24 September 2017

	Share capital £000	Capital contribution reserve £000	Retained earnings £000	Total equity £000
<b>Total equity at 27 September 2015</b>	<b>1</b>	<b>1,489</b>	<b>4,612</b>	<b>6,102</b>
<b>Total comprehensive loss:</b>				
Loss for the period	-	-	(4,705)	(4,705)
Other comprehensive losses	-	-	(574)	(574)
<b>Total comprehensive loss</b>	<b>-</b>	<b>-</b>	<b>(5,279)</b>	<b>(5,279)</b>
<b>Total equity at 25 September 2016</b>	<b>1</b>	<b>1,489</b>	<b>(667)</b>	<b>823</b>
<b>Total comprehensive (losses)/income:</b>				
Loss for the period	-	-	(2,975)	(2,975)
Other comprehensive income	-	-	581	581
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>(2,394)</b>	<b>(2,394)</b>
<b>Total equity at 24 September 2017</b>	<b>1</b>	<b>1,489</b>	<b>(3,061)</b>	<b>(1,571)</b>

The notes on pages 12 to 30 form part of the financial statements.

**Notes to the financial statements  
For the 52 weeks ended 24 September 2017**

**1 Accounting policies**

Hops Pub Company Limited (the "Company") is a company incorporated and domiciled in the UK.

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 Company's immediate parent undertaking, Town And City Pub Group Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of Town And City Pub Group Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Porter Tun House, 500 Capability Green, Luton, LU1 3LS.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Town And City Pub Group Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IAS 36 *Impairment of assets* in respect of the impairment of goodwill;
- The disclosures required by IFRS 7 and IFRS 13 regarding financial instrument disclosures have not been provided apart from those which are relevant for the financial instruments which are held at fair value and are not either held as part of trading portfolio or derivatives.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

**1.1 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.

**Notes (continued)**

**1 Accounting policies (continued)**

**1.2 Going concern**

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 Strategic Report on page 2. The financial position of the Company is set out in the Balance Sheet on page 10 which shows net liabilities of £1,571,000 (2016: net assets of £823,000). In addition, note 18 to the financial statements includes the Company's key exposures to liquidity risks.

The Company met its day-to-day working capital requirements through its standard trading cycle of cash generation and its overdraft facility. The Directors consider that this is a normal feature of trading in this industry. Customers pay by cash resulting in minimal credit risk and the Company takes advantage of supplier credit terms. Therefore the Company typically operates with net current liabilities (current period: £19,074,000; 2016: £9,151,000 net current assets).

In the forthcoming period the Company expects to achieve operating profit and be cash generative.

At the balance sheet date, the Company was financed by Group borrowings totalling £34,551,000, details of which are set out in note 18. The intra group loan of £34,551,000 is due for repayment in 2018 however, the Directors of the Company have made enquires of the Directors of the wider group and based on those enquires consider that such funds are needed by the Company to pay its liabilities as they fall due will continue to be made available for the foreseeable future and for at least the next twelve months. The Directors have also received confirmation from the wider group that repayment will not be sought for at least twelve months, of amounts owing under intercompany arrangements which are correctly payable on demand.

The Company met its day-to-day working capital requirements through cash generation and a £50,000,000 group overdraft facility. Cash flow forecasts are prepared and monitored for the wider Stonegate Pub Company Limited group, of which the Company and its subsidiaries are a part. Cash flow forecasts have been prepared for fifteen months after signing of these financial statements. Taking account of reasonable possible changes in trading performance, the board paper shows that the Company should be able to operate within the level of its current borrowing facility. Applying reasonably possible sales based sensitivities year on year the Company's forecasts show that it would continue to operate within its facility.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial statements and for the foreseeable future thereafter. Thus they adopt the going concern basis of accounting in preparing these financial statements.

**1.3 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 and other debtors**

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

**Trade and other creditors**

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

**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.

**Notes (continued)**

**1 Accounting policies (continued)**

**1.4 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;
- administration furniture, fixtures, fittings and equipment are depreciated over 2 to 15 years; and
- retail furniture, fixtures and equipment are depreciated over 3 to 15 years.

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

**1.5 Intangible assets and 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.

**1.6 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.

**1.7 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.

*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 year at the same time.



**Notes (continued)**

**1 Accounting policies (continued)**

**1.7 Impairment excluding stocks and deferred tax assets (continued)**

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.

**1.8 Employee benefits**

**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.

**Defined benefit plans**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The Company determines the net interest on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset).

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Re-measurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

**Notes (continued)**

**1 Accounting policies (continued)**

**1.8 Employee benefits (continued)**

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs. The gain or loss on a settlement is the difference between the present value of the defined benefit obligation being settled as determined on the date of settlement and the settlement price, including any plan assets transferred and any payments made directly by the Company in connection with the settlement.

**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.

**1.9 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.

**1.10 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.

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

In respect of the loyalty card scheme, the More card, as points are issued to customers the retail fair value of those points expected to be redeemed is deferred. When the points are used by customers they are recorded as turnover.

**1.11 Expenses**

**Operating lease payments**

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

**Interest receivable and interest payable**

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method and unwinding of the discount on provisions. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Other interest receivable and similar income include interest receivable on funds invested.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established.

**Notes (continued)**

**1 Accounting policies (continued)**

**1.12 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.

**1.13 Exceptional items**

The Company presents separately on the face of the profit and loss account those material, non-recurring, items of income and expense, which management consider will distort comparability, in order to provide a trend measure of underlying performance.

**Notes (continued)**

**2 Revenue**

	2017	2016
	52 weeks	52 weeks
	£000	£000
Sales of food, beverages, admissions, hotel rooms and machine income	46,730	46,317

**3 Expenses and auditor's remuneration**

	2017	2016
	52 weeks	52 weeks
	£000	£000
<i>Loss on ordinary activities before interest and taxation is stated after charging:</i>		
Depreciation of tangible fixed assets - owned assets	3,086	3,122
Exceptional operating items (see note 7)	43	2,190
Operating leases - rent of sites	5,553	5,439

Auditor remuneration and other services relating to taxation have been borne by other group companies in the current period. The auditor remuneration for their services in respect of the company amounted to £20,000 (2016: £20,000).

**4 Employees and directors**

The average number of persons employed by the Company (including directors) during the period, analysed by category, was as follows:

	2017	2016
	52 weeks	52 weeks
	£000	£000
Retail	894	910
	894	910

The aggregate payroll costs of these persons were as follows:

	2017	2016
	52 weeks	52 weeks
	£000	£000
Wages and salaries	11,128	10,816
Social security costs	715	673
Pension costs	80	91
	11,923	11,580

**Remuneration of directors**

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 £132,000 during the period (2016: £90,000).

Notes (continued)

**5 Interest receivable**

	2017 52 weeks £000	2016 52 weeks £000
Net pensions finance credit	1	26
<b>Total finance income</b>	<b>1</b>	<b>26</b>

**6 Interest payable and similar charges**

	2017 52 weeks £000	2016 52 weeks £000
Interest payable to group undertakings	258	310
Other interest payable	20	4
<b>Total interest payable and similar charges</b>	<b>278</b>	<b>314</b>

**7 Exceptional items**

	2017 52 weeks £000	2016 52 weeks £000
Operating exceptional items		
Impairment of tangible fixed assets (note 11)	134	1,628
Onerous lease provisions	(91)	562
Asset write offs	-	683
<b>Total exceptional items</b>	<b>43</b>	<b>2,873</b>

**Onerous lease provision:** The onerous lease provision covers potential liabilities for onerous lease contracts for sites that have either closed, or where projected future trading revenue is insufficient to cover the lower of exit cost or value-in-use. The provision is based on the present value of expected future cash flows, discounted at 8.4%, relating to rents, rates and other property costs to the end of the lease terms net of expected sublet income. A release is recognised when a provision is no longer required.

**Asset write offs:** During the period the Company wrote off £Nil (2016: £683,000) of tangible fixed assets as a result of site developments. Management reviewed sites undergoing major developments and considered it reasonable to write off pre-development assets.

Notes (continued)

8 Taxation

	2017 52 weeks £000	2016 52 weeks £000
<b>Tax charged in the income statement</b>		
Current tax:		
- UK corporation tax	-	-
- Adjustments in respect of prior years	-	-
<b>Total current tax charge</b>	<b>-</b>	<b>-</b>
Deferred tax:		
- Origination and reversal of temporary differences	219	(219)
- Adjustments in respect of previous years	(207)	(197)
- Change in tax rate	(28)	-
<b>Total deferred tax charge</b>	<b>(16)</b>	<b>(416)</b>
<b>Total tax credit in the profit and loss account</b>	<b>(16)</b>	<b>(416)</b>

	2017 52 weeks £000	2016 52 weeks £000
<b>Tax charged in other comprehensive income</b>		
Deferred tax:		
- Actuarial gains/(losses) on pension schemes	118	(118)
<b>Total tax charge recognised in other comprehensive income</b>	<b>118</b>	<b>(118)</b>

Reconciliation of the total tax charge

	2017 52 weeks £000	2016 52 weeks £000
<b>Loss before tax</b>	<b>(2,991)</b>	<b>(5,121)</b>
Tax at current UK corporation tax rate of 19.50% (2016: 20%)	(583)	(1,024)
Expenses not deductible	358	311
Trade and asset transfer	-	(388)
Group relief surrendered to other group companies	443	685
Impact of rate difference between deferred and current tax	-	4
Impact of rate change	(28)	193
Adjustments in respect of previous years	(206)	(197)
<b>Total tax credit reported in the profit and loss account</b>	<b>(16)</b>	<b>(416)</b>

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 24 September 2017 has been calculated based on these rates.

Notes (continued)

9 Intangible assets

	Goodwill £000
<b>Cost</b>	
At 25 September 2016	3,913
Disposals	(135)
<b>At 24 September 2017</b>	<b>3,778</b>
<b>Amortisation</b>	
At 25 September 2016	(1,249)
Amortisation on disposals	24
<b>At 24 September 2017</b>	<b>(1,225)</b>
<b>Net book value</b>	
<b>At 24 September 2017</b>	<b>2,553</b>
At 25 September 2016	2,664

10 Tangible fixed assets

	Leasehold improvements £000	Furniture, fixtures and equipment £000	Total £000
<b>Cost</b>			
At 25 September 2016	19,781	15,738	35,519
Additions	1,951	2,973	4,924
Disposals	(110)	(1,005)	(1,115)
Fully depreciated assets	(1,601)	(3,580)	(5,181)
<b>At 24 September 2017</b>	<b>20,021</b>	<b>14,126</b>	<b>34,147</b>
<b>Depreciation</b>			
At 25 September 2016	(10,634)	(9,816)	(20,450)
Charge for the year	(952)	(2,134)	(3,086)
Disposals	43	585	628
Impairment (note 11)	(72)	(62)	(134)
Fully depreciated assets	1,601	3,580	5,181
<b>At 24 September 2017</b>	<b>(10,014)</b>	<b>(7,847)</b>	<b>(17,861)</b>
<b>Net book value</b>			
<b>At 24 September 2017</b>	<b>10,007</b>	<b>6,279</b>	<b>16,286</b>
At 25 September 2016	9,147	5,922	15,069

All leasehold improvements relate to short leasehold properties.

Included in tangible fixed assets are properties with a net book value of £871,000 over which the Stonegate Pub Company Limited group borrowings are secured by way of fixed and floating charges.

**Notes (continued)**

**11 Impairment losses**

**Tangible fixed assets**

The Company considers each of its individual pubs as a cash-generating unit (CGU). Each CGU is reviewed annually for indicators of impairment. When indicators of impairment are identified the carrying value of the individual pub is compared to its recoverable amount. The recoverable amount is determined as being the higher of the expected net realisable value or the value in use.

The value in use is determined using the present value of the expected cash flows attributable to that site using a pre-tax discount rate of 8.4% (2016: 8.9%) applied to the future expected cash flows using budgeted earnings before interest, tax, depreciation and amortisation over a five year period, as prepared for the board. The cash flows continue to be risk-adjusted to reflect a conservative outlook. The key assumptions are budgeted earnings and trading margin which have been reviewed by the board and deemed to be reasonable. Cash flows beyond five years are extrapolated using a 2.5% growth rate for five years.

Where a reliable estimate of the net realisable value is available and is higher than the carrying amount of the asset, the asset is not impaired and therefore no value in use is calculated.

Indicators of impairment were found in the period ended 24 September 2017 and consequently impairment reviews were carried out on the affected CGUs. Impairment totalling £134,000 (2016: £1,628,000) was identified.

The Company's estimate of impairments is most sensitive to changes in the discount rate and growth rates. Sensitivity analysis has been carried out by reference to both these assumptions. This demonstrated that neither a 1% reduction in the growth rate, nor a 1% increase in the discount rate would lead to an increase in the impairment charge. The minimal impact is driven by factoring in the fair value less costs to sell for the CGUs.

**Goodwill**

For the purposes of goodwill impairment testing, all of the CGUs have been grouped together. This represents the lowest level at which goodwill is monitored by the Company and reflects its business model of managing and operating its pubs.

No impairment was booked in the period ended 24 September 2017.

**12 Disposals**

During the period £452,000 of fixed assets were written off as a result of site developments.

The Company also disposed of one site to a third party with fixed assets with a net book value of £35,000, goodwill with a net book value of £111,000 and cost of disposal of £550,000. There were also fees of £29,000 relating to prior year disposals. Total loss on disposal was £1,177,000.



Notes (continued)

**13 Deferred tax**

Movement in deferred tax during the period is as follows:

	24 September 2017 £000	25 September 2016 £000
At beginning of period	1,622	1,088
Credited to profit & loss account	16	416
(Charged)/credited to equity	(118)	118
At end of period	1,520	1,622

The movements in deferred tax assets during the period are shown below:

	Tax losses £000	Accelerated capital allowances £000	Total £000
At 27 September 2015	101	1,133	1,234
Credited to profit & loss account	(101)	500	399
At 25 September 2016	-	1,633	1,633
Credited to profit & loss account	36	(20)	16
At 24 September 2017	36	1,613	1,649

The movements in deferred tax liabilities during the period are shown below:

	Retirement benefit liabilities £000	Total £000
At 25 September 2016	11	11
Credited to profit & loss account	-	-
Recognised in other comprehensive income	118	118
At 24 September 2017	129	129

A net deferred tax asset of £1,520,000 (2016: £1,622,000) has been recognised as the directors have forecast the company to generate taxable profits in the future.

**Notes (continued)**

**14 Stock**

	24 September 2017 £000	25 September 2016 £000
Goods held for resale	726	705
	<b>726</b>	<b>705</b>

The Company consumed £13,152,000 of stock during the period (2016: £13,254,000) and charged £Nil to the profit and loss account for the write-down of stock during the period (2016: £Nil).

**15 Trade and other debtors**

	24 September 2017 £000	25 September 2016 £000
Trade debtors	55	47
Other debtors	20	7
Prepayments and accrued income	1,382	1,092
Amounts due from group undertakings	16,078	18,399
Deferred tax assets (see note 13)	1,520	1,622
	<b>19,055</b>	<b>21,167</b>
Due within one year	17,535	19,545
Due after more than one year	1,520	1,622
	<b>19,055</b>	<b>21,167</b>

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 costs.

**16 Creditors: amounts falling due within one year**

	24 September 2017 £000	25 September 2016 £000
Bank overdraft	5	42
Trade creditors	2,670	2,950
Other taxation and social security	1,282	908
Other creditors	99	316
Amounts due to group undertakings	34,551	6,771
Accruals	1,153	1,925
	<b>39,760</b>	<b>12,912</b>

Amounts due to group undertakings include £280,000 (2016: £119,000) of interest on a short term group loan (see note 18). The remainder arises 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.

**Notes (continued)**

**17 Creditors: amounts falling due after more than one year**

	24 September 2017 £000	25 September 2016 £000
Amounts due to group undertakings	-	25,322
	-	25,322

**18 Loans and borrowings**

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	24 September 2017 £000	25 September 2016 £000
<b>Current liabilities</b>		
Bank overdrafts	5	42
Amounts due to group undertakings	34,551	6,771
	34,556	6,813
<b>Non-current liabilities</b>		
Amounts due to group undertakings	-	25,322
	-	25,322

The Company has £34,551,000 (2016: £25,322,000 long term loans) short term loans with a group undertaking with maturity in 2018 and charging an annual interest rate of 6 months LIBOR + 0.5%. Interest of £280,000 (2016: £119,000) was accrued at the end of the financial period and included in creditors within one year.

**19 Provisions**

	Onerous leases £000	Health and safety claims £000	Total £000
At 25 September 2016	562	177	739
Additions	625	40	665
Discount rate revision	197	-	197
Utilised	(208)	(58)	(266)
At 24 September 2017	1,176	160	1,336

Onerous lease provisions include provisions for lease rentals and costs of exiting closed and loss-making sites. The directors have determined that these sites operate under onerous property leases and have provided for the costs to either exit those sites in the next five years or trade them through to the end of the lease term.

The health and safety claims provision is an estimate of the 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.

Notes (continued)

**20 Share Capital**

	24 September 2017 £000	25 September 2016 £000
Called up, allotted and fully paid:		
1,001 ordinary shares of £1 each	1	1

**21 Commitments**

At the end of the reporting period, the future minimum lease payments under non-cancellable operating leases are payable as follows:

	24 September 2017 £000	25 September 2016 £000
Future minimum rentals payable under non-cancellable operating leases:		
Within one year	4,525	4,482
Between one and five years	17,487	17,588
After five years	49,305	53,327
	71,317	75,397

**Capital commitments**

	24 September 2017 £000	25 September 2016 £000
Contracted but not provided	143	1,129
	143	1,129

Notes (continued)

**22 Employee benefits**

**Defined benefit pension scheme**

On 21 June 2011, as part of the Plato Company 3 acquisition the Stonegate Pub Company Limited group acquired the defined benefit scheme, Yates Group Pension scheme, which is closed to new members and closed to further accruals for existing members. The assets of the scheme are held in single, separate trustee administered funds. The latest full actuarial valuations of the scheme was last carried out by an independent qualified actuary at 28 February 2011 and the results have been updated for the purpose of calculating the disclosures at 24 September 2017.

The tables below illustrate the impact of the Yates Group Pension scheme on the income statement, the statement of comprehensive income (SOCi) and the balance sheet.

The amounts recognised in the balance sheet are as follows:

	24 September 2017 £000	25 September 2016 £000
Fair value of plan assets	14,322	14,686
Present value of defined benefit obligation	(13,558)	(14,622)
Surplus in scheme	764	64
Restriction of surplus	-	-
<b>Net retirement benefit surplus recognised in the balance sheet</b>	<b>764</b>	<b>64</b>

Movements in the present value of scheme liabilities are as follows:

	24 September 2017 £000	25 September 2016 £000
Present value of scheme liabilities at beginning of period	14,622	12,569
Interest cost	331	467
Actuarial (gains)/losses	(974)	2,158
Benefits paid	(421)	(572)
<b>Present value of scheme liabilities at end of period</b>	<b>13,558</b>	<b>14,622</b>

Movements in the fair value of scheme assets are as follows:

	24 September 2017 £000	25 September 2016 £000
Fair value of scheme assets at beginning of period	14,686	13,299
Interest income	332	493
Return on plan assets excluding interest income	(275)	1,466
Benefits paid	(421)	(572)
<b>Fair value of scheme assets at end of period</b>	<b>14,322</b>	<b>14,686</b>

Notes (continued)

**22 Employee benefits (continued)**

Interest costs are shown in finance costs and service costs and expenses are recognised in operating costs. The amounts recognised in the income statement are as follows:

	2017 52 weeks £000	2016 52 weeks £000
Interest credit	(1)	(26)
<b>Net credit</b>	<b>(1)</b>	<b>(26)</b>

Analysis of amounts recognised in the SOCI in the period:

	2017 52 weeks £000	2016 52 weeks £000
Return on plan assets excluding interest income	(275)	1,466
Experience gains	366	225
Effects of changes in demographic assumptions	224	167
Effects of changes in final assumptions	384	(2,550)
<b>Re-measurement gains recognised in the SOCI</b>	<b>699</b>	<b>(692)</b>

Cumulative amounts recognised in the SOCI:

	24 September 2017 £000	25 September 2016 £000
At beginning of period	(439)	253
Re-measurement gains/(losses) in the period	699	(692)
<b>At end of period</b>	<b>260</b>	<b>(439)</b>

The history of experience adjustments on the schemes for the current and previous financial periods is as follows:

	2017 £000	2016 £000	2015 £000	2014 £000	2013 £000
Present value of retirement benefit liabilities	(13,558)	(14,622)	(12,569)	(13,041)	(12,482)
Fair value of plan assets	14,322	14,686	13,299	13,168	12,549
<b>Net asset in the scheme</b>	<b>764</b>	<b>64</b>	<b>730</b>	<b>127</b>	<b>67</b>
Experience adjustment on scheme liabilities	366	225	725	(44)	(131)
Percentage of scheme liabilities	2.7%	1.5%	5.8%	(0.3)%	(1.0)%
Experience adjustments on scheme assets	(275)	1,466	107	677	419
Percentage of scheme assets	(1.9)%	10.0%	0.8%	5.1%	3.3%

The Company does not expect to contribute to the Yates Group defined benefit plan in the next financial period.

**Notes (continued)**

**22 Employee benefits (continued)**

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

	24 September 2017	25 September 2016
Male retiring in 2017	21.5 years	21.7 years
Female retiring in 2017	23.4 years	23.7 years
Male retiring in 2042	23.7 years	24.4 years
Female retiring in 2042	25.7 years	26.6 years

The principal actuarial assumptions (expressed as weighted averages) at the period end were as follows:

	24 September 2017	25 September 2016
Discount rate	2.75%	2.30%
Rate of increase in pension payment	2.20%	1.95%
Inflation (RPI)	3.40%	3.00%
Inflation (CPI)	2.40%	2.00%

The fair values of the plan assets and the return on those assets for both schemes were as follows:

	24 September 2017 £000	25 September 2016 £000
Equities	8,362	5,627
Bonds	5,313	7,818
Cash	52	40
Property	595	1,201
Fair value of plan assets	14,322	14,686
Actual return on plan assets	57	1,959

Analysis of the sensitivity to the principal assumptions of the present value of the defined benefit obligation is set out below:

		Impact on scheme liabilities	
		24 September 2017	25 September 2016
	Change in assumption		
Discount rate	Decrease of 0.25% p.a.	3.50%	3.60%
Rate of inflation	Increase of 0.25% p.a.	2.40%	2.40%
Rate of mortality	Increase in life expectancy of 1 year	3.00%	3.00%

The sensitivities shown above are approximate. Each sensitivity considers one change in isolation. The inflation sensitivity includes the impact of changes to the assumptions for revaluation and pension increases. The average duration of the defined benefit obligation at the period ending 24 September 2017 is 14 years for the Yates Group Pension scheme.

**Notes (continued)**

**22 Employee benefits (continued)**

The plan typically exposes the Company to actuarial risks such as investment risk, interest rate risk, mortality risk and longevity risk. A decrease in corporate bond yields, a rise in inflation or an increase in life expectancy would result in an increase to plan liabilities. This would detrimentally impact the balance sheet position and may give rise to increased charges in future income statements. This effect would be partially offset by an increase in the value of the plan's bond holdings, and in qualifying death in service insurance policies that cover the mortality risk. Additionally, caps on inflationary increases are in place to protect the Yates Group pension scheme against extreme inflation.

The pension cost charge for the period represents contributions payable by the Company to the schemes and amounted to £80,000 (2016: £91,000). At the period end the Company had contributions payable to the scheme of £Nil.

**23 Related parties**

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.

**24 Ultimate parent company and parent company of larger group**

The Company is a wholly owned subsidiary undertaking of Town and City Pub Group Limited, a Company incorporated in England and Wales.

Town and City Pub Group Limited is a subsidiary of Stonegate Pub Company Limited, a company incorporated in the Cayman Islands. The ultimate controlling parties are various investment funds managed by TDR Capital LLP, a private equity management firm.