

Ei Group Limited

Report and Accounts

For the 52 weeks ended 26 September 2021

Registered number: 02562808

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COMPANIES HOUSE

Ei Group Limited

Company information

DIRECTORS

S D Longbottom
I T Payne
D A Ross

AUDITORS

KPMG LLP
One Snowhill
Snowhill Queensway
Birmingham
B4 6GH

REGISTERED OFFICE

3 Monkspath Hall Road
Solihull
West Midlands
B90 4SJ

REGISTERED COMPANY NUMBER

02562808

Ei Group Limited

STRATEGIC REPORT

Registered No: 02562808

The directors present their report and accounts for the 52 weeks ended 26 September 2021.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

Ei Group Limited is a subsidiary of and operates as of part of the group of companies owned by Stonegate Pub Company Topco Sarl ("the Group"). Please refer to note 32 for further details.

The principal activity of the Company is the ownership of an estate of public houses in the United Kingdom. These properties are geographically spread across the UK and are let to tenants under various types of agreements namely:

Pub Partners – the core estate is leased to publicans on tied leases where we work in partnership with publicans to develop great pub business. Income is earned from rent and from the supply of beer and other drink products which the publican is contracted to buy from us.

Managed – Some of the Company's properties are leased to other group companies who pay rent and then operate the properties as managed pubs. This includes Stonegate, Craft Union, Managed Investments and Vixen Pub Company.

Commercial Properties – A portfolio of the estate is leased to third parties on commercial property terms.

The Company also contracts with another group company being Unique Pub Properties Limited (UPPL). UPPL has its own estate of pubs predominantly let on tied leases. UPPL has outsourced the supply of beer and other drink product and all other aspects of estate management to the Company and the Company therefore pays over a net income based on a fixed procurement fee per barrel in respect of product supplied and receives an asset management fee based on a fixed fee per site.

On 3 March 2020 Leased and Tenanted Pubs 1 Limited (previously known as Stonegate Pub Company Bidco Limited) acquired 100% of the share capital in the Company and on the same date the Company delisted to become a private company limited by shares, before this acquisition the Company was financed by a revolving credit facility (RCF), secured corporate bonds, and an unsecured corporate bond. These were all repaid on or around the date of the acquisition and replaced by an intercompany loan facility provided by Stonegate Pub Company Limited of £1,278 million which is repayable on 10 March 2027 and accrues interest at 8.25%.

The impact of the Covid-19 pandemic, that initially closed all of the Company's pubs on 20 March 2020, has continued to affect the Company throughout the current financial period. Following the initial lockdown that began in March 2020 the Company has been further restricted in the current financial period by the 10pm curfew across all hospitality venues and then the tiering system. Subsequent to both, hospitality was instructed to close for four weeks from 5 November 2020 to 2 December 2020 in the second national lockdown and to then close again from 20 December 2020 when the majority of the UK was placed under tier four restrictions; followed by the third national lockdown on 5 January 2021. In line with the Government's 'roadmap out of lockdown' the Company was able to reopen those sites that have outside trading space, from 12 April 2021, and more of its estate indoors from 17 May 2021. The remainder of sites were re-opened on 19 July 2021 in England and shortly after in Scotland and Wales. Please see the General economy section under Risks and Uncertainties below for further information on the position following the period end.

The Company utilised the flexible Coronavirus Job Retention Scheme in order to meet business demands and protect jobs. Predominantly during the closure periods, the Company recognised £2 million (2020: £4 million) of other income in respect of this scheme.

Ei Group Limited

STRATEGIC REPORT (CONTINUED)

Registered No: 02562808

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS (CONTINUED)

The above has significantly affected the results for the period such that turnover decreased by £106 million or 31% from £337 million in the period ended 27 September 2020 to £231 million in the period ended 26 September 2021 and underlying operating costs decreased by £97 million or 39%, from £246 million in the period ended 27 September 2020 to £149 million in the period ended 26 September 2021. As a result the underlying operating profit for the period amounted to £57 million (2020: £69 million). The total operating profit increased by 34% from £41 million in the period ended 27 September 2020 to £55 million in the period ended 26 September 2021. The loss before tax for the period amounted to £85 million (2020: loss before tax £146 million). For a reconciliation of underlying and non-underlying items see note 4.

The Company owns an estate of properties with a value of £1.5 billion (2020: £1.5 billion). The properties identified for disposal and held in non-current assets held for sale were valued internally based on their marketed value. The remaining estate was valued externally by GVA Grimley (t/a Avison Young) at 26 September 2021.

KEY PERFORMANCE INDICATORS (KPIs)

The financial KPIs below are used by the Company to measure its performance:

- Underlying earnings before interest, tax, depreciation and amortisation ("EBITDA") of £84 million (2020: £95 million) see note 4
- Underlying operating profit of £57 million (2020: £69 million) see note 4
- Operating profit of £55 million (2020: £41 million)
- Loss before tax of £85 million (2020: £146 million)

RISKS AND UNCERTAINTIES

The principal risks facing the Company are described below. This is not an exhaustive analysis.

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

General economy, including the impact of Covid-19

The impact of the Covid-19 pandemic, that initially closed all of the Company's pubs on 20 March 2020, has continued to affect the Company throughout the current financial period. The Company has helped managed its estate, opening and closing pubs where necessary, through the government enforced curfew, tiering system, further full lockdown periods and outside opening only, before full estate opening was permitted from 19 July 2021. The Company continued to access benefits available to it, such as the Coronavirus Job Retention Scheme, and proactively protected its liquidity position through delaying capital expenditure and reduced its cost base wherever possible.

The development of a new variant in December 2021 resulted in a surge of cases and the government moved to 'Plan B' on 8 December 2021. The restrictions in Wales and Scotland went further with social distancing in public places being reintroduced and limits on numbers of people being able to mix in hospitality.

Ei Group Limited

STRATEGIC REPORT (CONTINUED)

Registered No: 02562808

RISKS AND UNCERTAINTIES (CONTINUED)

General economy, including the impact of Covid-19 (continued)

The vaccination programme has been highly successful. The government announced on 21 February 2022 that from 24 March 2022, in England, all remaining legal restrictions were to be removed as part of the "Living with Covid" plan and we expect to see sales return to the growth we were experiencing pre pandemic as consumer confidence increases. Furthermore coronavirus measures in Scotland have also been dropped, with all remaining legal restrictions having ended on 21 March 2022. In Wales, most regulations were scrapped on 28 March 2022.

In addition, the cost of living crisis, exacerbated by the war in Ukraine driving up energy and food prices in particular, has put continued pressure on consumers and the trading environment, however sales have continued to recover well since reopening last year. Energy costs in the managed estate are hedged until October 2022 and additional costs are being offset as much as possible by price rises. However, the industry as a whole will undoubtedly feel the impact of increased costs in the short to medium term.

Financial instrument risk

At the period end the Company's financial instruments include intercompany loans and cash. The main purpose of these financial instruments is to raise finance for the Company's operations. The main risk arising from the Company's financial instruments is liquidity risk as all interest rates are fixed. There is no currency exposure as all transactions are in sterling. The Board reviews and agrees policies for managing each of these risks on a Group basis and they are summarised below, including the impact of cashflow risk for the Company:

Liquidity Risk

The Company has exposure to liquidity risk, being the risk that payments cannot be made when they fall due. Since the repayment of all external debt all covenants and debt service requirements have been removed and therefore the Company's current objective is to maintain a balance between continuity of funding and flexibility through the use of the intercompany debt.

This objective is achieved through the following processes:

- Regular cash flow forecasting and reporting through the treasury function
- Regular review of the Company's cash position and requirements to repaying the interest due to Leased and Tenanted Pubs 1 Limited (previously known as Stonegate Pub Company Bidco Limited) as required.

Cash flow risk

Cash flow risk is driven by the fact that cash flow could fluctuate throughout the period due to a range of different factors such as working capital, investment and financing, payment management, employee management and the industry environment. The Company carry out regular cash flow forecasting and reporting through the treasury function with regular review of the Company's cash position in conjunction with the Group's cash position and requirements. However, cash flow risk is not considered to be a significant risk to the Company.

Interest rate risk

As at 26 September 2021, the Company has no net cash flow exposure to interest rate fluctuations since 100% (2020: 100%) of the loans are at fixed rates.

The Company's objective is to manage cash flow exposure to changes in interest rates. This exposure is managed on a Group basis by borrowing at fixed rates on its debt and therefore it is not considered to be a significant risk to the business.

Ei Group Limited

STRATEGIC REPORT (CONTINUED)

Registered No: 02562808

RISKS AND UNCERTAINTIES (CONTINUED)

Credit risk

Credit risk is primarily driven by the credit terms awarded to its publicans. Extensions of credit have been given to publicans during the pandemic, but the dedicated credit control function together with the operations team have worked with publicans to ensure levels of debt have reduced and remain in line with Company expectations. However, credit risk is not considered to be a significant risk to the Company.

Price risk

Price risk is primarily driven by fluctuation in the price of goods for both sale and purchase. Price risk is not considered to be a significant risk to the Company.

General economic conditions

The Company's business operations are sensitive to economic conditions and the general economic outlook remains uncertain, especially post the Covid-19 pandemic which could impact publican profitability due to decreased consumer spending or an increase in the underlying cost base of publicans.

The Company regularly monitors its key income streams and publicans' performance to ensure the Company is competitively placed in the market, including regularly reviewing financial forecasts to assess the impact of economic conditions on its budget, strategic plans and its publicans. As a Company, we are well placed to react to additional competition for leisure spending as we have the scale and tools available to support our publicans. Careful consideration is given to all publicans' requests for additional operational and financial support as well as assessing appropriate investment in the development of our pubs to ensure that we remain competitively placed in the market.

Regulatory risks

On 21 July 2016 a Statutory Code of Practice, introduced by the Small Business, Enterprise and Employment Act 2015, came into effect which has since been through a planned statutory review process which has not resulted in a material change to the fundamental basis of the Code. The Pubs Code applies to those companies with over 500 pubs operating under tied leased and tenancy agreements in England and Wales, and is overseen by an independent Adjudicator.

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

Since the Code's introduction we have not experienced a material impact on our financial results, however, the risk to income remains.

DIRECTORS DUTIES UNDER SECTION 172 OF THE COMPANIES ACT 2006

Ei Group 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 26 September 2021:

Ei Group Limited

STRATEGIC REPORT (CONTINUED)

Registered No: 02562808

DIRECTORS DUTIES UNDER SECTION 172 OF THE COMPANIES ACT 2006 (CONTINUED)

- 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 publicans, suppliers 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 period 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:

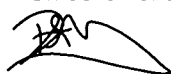
- The Company's ultimate shareholder, who benefit from the success of the Company and therefore all business decisions are made by the Board so as to ultimately enhance the medium to long term value of the Company and Group;
- Company employees, who rely on the Company for regular income and job security;
- Publicans, who rely on the Company to maintain the estate, supply chain and act fairly in a supportive manner; 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 matter considered by the Board in the current year related to the impact of the COVID-19 pandemic on the Company's business. This is 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 protected the financial viability of the Company whilst safeguarding the wider Group's employees and customers. Throughout the closure periods, the Board were required to preserve cash which meant making decisions at a Group level about the timing of various payments but ensuring that working relationships with our valued suppliers and publicans were maintained, supporting publicans, accessing government support, furloughing employees. The Board is confident that each decision was made in the best interests of the long-term success of the Company and the wider Group whilst also weighing up and considering the interests of the identified stakeholder groups.

On behalf of the Board



D Ross

22 September 2022

Ei Group Limited

DIRECTORS' REPORT

Registered No: 02562808

DIRECTORS

The directors of the Company during the 52 weeks ended 26 September 2021 and since the end of the period were as follows:

M Dale (resigned 8 August 2022)
S D Longbottom
B J Magnus (resigned 8 August 2022)
I T Payne
D A Ross

Directors benefited from qualifying third party indemnity provisions in place during the financial period and at the date of this report.

ENVIRONMENT

The Company as part of the wider Group headed by Stonegate Pub Company Topco Sarl recognises its responsibility to achieve good environmental practice and to continue to strive for improvement in areas of environmental impact. Our approach is to work towards continuous improvement through education, communication and direct action where applicable. Details of the Group's environmental policies are discussed in the Stonegate Pub Company's Annual Report and Accounts, which can be obtained from 3 Monkspath Hall Road, Solihull, United Kingdom, B90 4SJ.

As the assets owned by the Company are not under our operational control the Company is only responsible for emissions at the head office building in Solihull and support hub based in Wakefield. See 'Streamlined Energy and Carbon Reporting' section below for details of energy consumed during the period.

EMPLOYEES

As at the period end, employees were no longer employed by this Company as their employment was transferred to another company within the Group. Prior to this and within the period, as part of the Stonegate Group, great importance was placed on the involvement, development and well-being of all employees within the Company. All employees were kept informed of developments through regular meetings, calls, videos and quarterly updates.

Employee engagement

Ensuring a high level of engagement was particularly challenging and important in the period with the impact that Covid-19 had on our usual ways of working and the sheer quantum of employees on furlough leave at any point in time. Ensuring they felt that they remained part of the Stonegate family and protecting their wellbeing, even whilst on furlough leave, was a key challenge for the Board and meant that normal methods of communication were adapted. The main communication tool during the pandemic for Stonegate to be able to reach those employees working and on furlough simultaneously was regular CEO recorded briefings which covered key developments and the Company's response to them. The Company also made available tools for employees to improve their own mental health. The Company's engagement pulse survey scores illustrated that communication had been a key strength of the Company over the past year and employees were generally engaged with the business and its strategy.

Employee Wellbeing

Stonegate operated a transparent career pathway through "Albert's Theory of Progression", based around the character of Albert Einstein. Stonegate also utilised a strength-based recruitment approach within the Company for all team members, whereby an applicant must pass the 'Strength Quiz' prior to being considered for interview. This ensured that we were recruiting people who had the right personality and attributes for our business, rather than simply seeking to hire people with prior experience in our sector.

Ei Group Limited

DIRECTORS' REPORT (CONTINUED)

Registered No: 02562808

EMPLOYEES (CONTINUED)

This recruitment process was then complemented by a rigorous 6-week induction process which ensured that all new hires received the required basic training to be effective in their role.

As well as internal career pathways, there were many other personal development opportunities provided to people across the Company. Examples included our investment in delivering Stephen Covey's '7 Habits of Effective Managers' to all line managers, and an on-line learning platform for all employees.

The Company considered applications for employment from disabled persons where the requirement of the job could be adequately fulfilled by a disabled or handicapped person. Where existing employees became disabled, it was 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.

CUSTOMERS

The directors have had regard to the need to foster the Company's business relationships with customers, both publicans and consumers, including the impact of principal decisions taken by the Company on these stakeholders. As restrictions eased in the period, it was important to ensure support was provided to publicans to keep teams and customers confident they could safely socialise and work. Customer insights meant we could understand their attitudes towards the pandemic and the various safety measures operated by our publicans to reduce the risk of infections spreading.

DIVIDENDS

The Company did not pay a dividend during the period (period to 27 September 2020: £nil) and the directors do not recommend the payment of a final dividend (27 September 2020: £nil).

FUTURE DEVELOPMENTS

The Company will continue to own and operate an estate of public houses in the United Kingdom for the foreseeable future.

FINANCIAL INSTRUMENTS

Further details of the Company's policy on financial instruments are set out in the Strategic Report and in note 22.

STATEMENT OF DISCLOSURE TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditor is unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

POST BALANCE SHEET EVENTS

Subsequent to the period end, on 26 November 2021, the Company's 45 million treasury shares with a nominal value of £1 million were cancelled.

Ei Group Limited

DIRECTORS' REPORT (CONTINUED)

Registered No: 02562808

POST BALANCE SHEET EVENTS (CONTINUED)

Furthermore, following the period end, on 10 January 2022, Enterprise Managed Investments Limited acquired the remaining 25% of shares in Hippo Inns Limited, and therefore as a result, the company is now a 100% indirectly owned subsidiary of Ei Group Limited.

GOING CONCERN

The financial statements have been prepared on the going concern basis. The statement headed "Going Concern" on page 26 and 27 sets out certain factors to the Directors' consideration in reaching this assessment.

CORPORATE GOVERNANCE - FINANCIAL REPORTING

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

Wates Corporate Governance Principles

In the prior period, under The Companies (Miscellaneous Reporting) Regulations 2018, the Company applied the Wates Corporate Governance Principles for Large Private Companies ("the Principles").

Set out below is how the board has applied the Principles in the current period (and during the 30 weeks from 3 March 2020 to 27 September 2020 following the acquisition of the Company).

Principle 1 – Leadership and Purpose

The purpose of the Company and wider Group is to own and operate pubs and venues that are at the heart of the local community.

The strategic objective of the Company is to optimise value creation for every asset in our portfolio through our Publican Partnership, group Managed and Commercial Properties operating models.

The Company's vision is underpinned by the following values:

- We have Fun – we take pride and enjoy what we do; we celebrate success and recognise achievements; we go out of our way to make sure customers and teams have a great time and fun never compromises our safe and legal responsibility.
- We invest Wisely – We spend the Company's money like it's our own; we keep looking for smarter and more efficient ways of doing things; we effectively plan and prepare, and we invest our time and money in developing talent.
- Raring to Go – We hit the ground running; we are willing to get involved; we commit to doing our best every day and we are adaptable and see change as an opportunity.

Ei Group Limited

DIRECTORS' REPORT (CONTINUED)

Registered No: 02562808

Wates Corporate Governance Principles (continued)

Principle 1 – Leadership and Purpose (continued)

- We are Straightforward – We keep things simple and do not over complicate; we do what we say we are going to do; we are open and honest with each other and we approach challenges with solutions in mind.
- We're One Team – We treat each other with respect; we develop ourselves and our teams; we share great ideas and we take responsibility for our actions.

The key focus of the board and executive management throughout the period has been:

- to integrate the Company into the Stonegate Group following the acquisition of the Company by Leased and Tenanted Pubs 1 Limited (previously known as Stonegate Pub Company Bidco Limited) on 3 March 2020
- to manage the impact of the Covid-19 pandemic on the Company and wider Group's business, for further information on how this has been achieved see section 'Directors Duties under Section 172 of the Companies Act 2006' in the Strategic Report.

Principle 2 – Board Composition

The Board members collectively hold a balanced range of skills and expertise and work together effectively to deliver the Company's strategy:

Ian Payne MBE (Chairman of Stonegate Pub Company)

Ian, an accomplished expert in the licensed leisure sector, has held Board positions with Bass Taverns, Stakis plc. and Ladbrokes gaming. He was CEO of the Laurel Pub Company from its inception in May 2001 through to December 2004 and later Chairman of Bay Restaurant Group Limited and Town and City Pub Group Limited prior to the formation of Stonegate Pub Company Limited in November 2010. Ian started his career in the trade behind the bar of a local pub more than 35 years ago.

Simon Longbottom (Chief Executive Officer of Stonegate Pub Company)

Simon has spent much of his career within the licensed industry. Prior to joining Stonegate Simon was a managing director of Pub Partners, a division of Greene King, as well as a managing director of Gala Coral's gaming division. Simon has also held senior positions with Mill House Inns and Mitchell's & Butlers plc.

David Ross (Chief Financial Officer of Stonegate Pub Company)

David qualified with PriceWaterhouseCoopers in 1999 before joining Boots as a senior internal audit manager. After holding various senior roles in Boots, David joined the Spirit Group in 2004 as Head of Finance for Investments and the development company, Gastro Pubs & Bars. He joined Laurel in 2007 as Head of Finance and held that position until the break-up of Laurel in 2008 when David was appointed Head of Finance of Bay Restaurant Group Limited and Town and City Pub Group Limited. He was appointed Chief Financial Officer of Stonegate Pub Company Limited in January 2012.

Manjit Dale (Founding Partner of TDR Capital LLP)

Prior to founding TDR Capital LLP in 2002, Manjit was Managing Partner at DB Capital Partners Europe and has almost 20 years' experience in private equity. Manjit graduated from Cambridge University with an Honours Degree in Economics.

Brian Magnus (Senior Partner at TDR Capital LLP)

Brian joined TDR Capital LLP in September 2012. Prior to joining TDR Capital LLP, he was a managing director at Morgan Stanley where he was European head of Morgan Stanley Private Equity, and formerly head of UK investment banking. He joined Morgan Stanley in 2000 having previously worked in the corporate finance division of Schroders, a company later acquired by Citigroup.

Ei Group Limited

DIRECTORS' REPORT (CONTINUED)

Registered No: 02562808

Wates Corporate Governance Principles (continued)

Principle 3 – Director Responsibilities

Board meetings are held at a Group level to ensure the coordinated implementation of Group strategy across all group companies.

The Board receives regular and timely information on all key aspects of the business including risks and opportunities, the financial performance of the business, strategy, operational matters, and sustainability. This allows informed and timely decisions to be made to protect the welfare of the Group; to allow opportunities to be taken where they are in the best interest of the Group; and to create and sustain long term value and growth.

The Board makes use of committees in order to effectively implement its strategy including appraisal of Group assets to ensure that the greatest value can be realised from each site by applying the most suitable retail format and appropriate operating model.

Principle 4 – Opportunity and Risk

The board seeks out opportunities while mitigating risk in order to create and preserve the long term value of the Company. The Company's key risks and mitigations are outlined in the Strategic report on pages 2 – 6.

Principle 5 – Remuneration

Directors remuneration has been borne by fellow group companies and not recharged to the Company. The amount attributable to services provided to the Company was £485,000 (2020: £188,000) for this period.

Principle 6 – Stakeholder Relationships and Engagement

The Company has a range of stakeholders including the Company's ultimate shareholder, employees, publicans and suppliers. Mutually beneficial and sustainable relationships are developed and maintained in order to protect and grow long term value for both the Company and its stakeholders.

Shareholders

All business decisions are made by the Board to ultimately enhance the medium to long term value of the Company and Group.

Publicans and suppliers

Maintaining good working relationships with publicans and suppliers has been particularly challenging during the pandemic since there has been a continual need for the Group to balance the strength of those relationships with the need to conserve cash. In order to support publicans the Company has provided rent concessions to the value of £25 million (2020: £12 million) during the financial period with further support being provided through trade credits and extended credit facilities.

Although the Company has looked to delay supplier payments during the initial lockdown, excellent relationships with suppliers have been maintained such that supply has not been not disrupted.

Employees

The Company actively engages with employees to provide support and engage in meaningful two-way dialogue over issues affecting employees. For further information see the Employees section of the Directors Report.

Ei Group Limited

DIRECTORS' REPORT (CONTINUED)

Registered No: 02562808

STREAMLINED ENERGY AND CARBON REPORTING

For the 52 weeks ended 26 September 2021, Ei Group Limited is exempt from disclosure due to disclosure in the Group accounts. Please refer to the Stonegate Pub Company PIKCO Holdings Limited statutory accounts for the 52 week period ended 26 September 2021 where the requirements are reported on for the Group.

In the prior period, in line with the government's Streamlined Energy and Carbon Reporting ("SECR") requirements and in the absence of the information being included in the consolidated parent entity of the Company, we were required to report the Company's carbon emissions for the period 1 October 2019 to 27 September 2020. Our methodology aligned with Defra's Environmental reporting guidelines (2019) and used the government's greenhouse gas reporting conversion factors (2020) to quantify emissions.

	52 weeks ended 27 September 2020 000
Emissions source	
Fuel Consumed by Company Vehicles	938
Total Scope 1 (tCO ₂ e)	938
Directly Purchased Electricity Consumed within buildings	191
Total Scope 2 (tCO ₂ e)	191
Total Scope 1 & 2 (tCO ₂ e)	1,129

Intensity Metrics	
Revenue (£)	£337 million
Number of Employees (FTE)	609
Scope 1+2 emissions per unit (kgCO ₂ e/£ Revenue)	0.00000335
Scope 1+2 emissions per Employee (tCO ₂ e/FTE)	1,852.86
Energy Consumption by source	Kilowatt Hours
Electricity	819,051
Vehicle fuel	3,909,614
Total	4,728,665

Ei Group Limited

DIRECTORS' REPORT (CONTINUED)

Registered No: 02562808

POLITICAL CONTRIBUTIONS

The Company made no political donations or incurred any political expenditure during the period (period ended 27 September 2020: £nil).

AUDITOR

Pursuant to Section 485 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

On behalf of the Board



D Ross

22 September 2022

Ei Group Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

Registered No: 02562808

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

Company law requires the directors to prepare financial statements for each financial year. Under that law 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 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 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EI GROUP LIMITED

Opinion

We have audited the financial statements of Ei Group Limited ("the Company") for the 52-week period ended 26 September 2021 which comprise the Income Statement, Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and related notes, including the accounting policies in note 1-3.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 26 September 2021 and of its loss for the 52-week period 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.

Material uncertainty related to going concern

We draw attention to note 3 to the financial statements which indicates that the Company's ability to continue as a going concern is dependent on the continuation of intragroup income and the continued availability of such support as may be needed from its intermediate parent company, Stonegate Pub Company Limited. The financial statements of Stonegate Pub Company Limited include a material uncertainty related to going concern and the availability of support may be in doubt if required. These events and conditions, along with the other matters explained in note 3, constitute a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Going concern basis of preparation

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company, or to cease its operations, and as they have concluded that the company's financial position means that this is realistic for at least a year from the date of approval of the financial statements ("the going concern period"). As stated above, they have also concluded that there is a material uncertainty related to going concern.

We used our knowledge of the Company and its intra-group trading relationships to identify the inherent risks to its business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Company's available financial resources and trade over this period were:

- the availability of cash given the intragroup trading relationship, and the availability of additional financing, as may be needed, from other Group companies;
- and therefore, the ability of the Group to achieve its base case forecasts and, in downside scenarios the availability of such additional funding as may be needed.

We also considered less predictable but realistic second order impacts, such a sudden unexpected downturn in trading in the Group.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EI GROUP LIMITED (CONTINUED)

Our procedures included: We inspected letters received by the directors indicating the group's intention to provide this support, examined internally provided projections to assess the group's ability to provide this support over the period of the audited entity's going concern assessment, assessed the business reasons why the group may or may not choose to provide this support or to continue the intragroup trading, and examined relevant disclosures in the Group's most recent financial statements. In our evaluation of the directors' conclusions, we assessed the completeness and accuracy of the matters covered in the going concern disclosure. Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we found the going concern disclosure in note 3 to be acceptable.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and members of the Operational Board as to the company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board meeting minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because of the existence of limited incentives and opportunities to make inappropriate accounting entries in relation to revenue.

We did not identify any additional fraud risks.

We also performed procedures including:

- identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.
- assessing whether the judgements made in making accounting estimates are indicative of potential bias

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EI GROUP LIMITED (CONTINUED)

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: The Pubs Code, health and safety, data protection, employment law, and certain aspects of company legislation recognising the nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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 AUDITORS' REPORT TO THE MEMBERS OF EI GROUP LIMITED (CONTINUED)

Directors' responsibilities

As explained more fully in their statement set out on page 14, 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.

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.



John Hughes (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
22 September 2022

Ei Group Limited

INCOME STATEMENT

52 weeks ended 26 September 2021

		52 weeks ended 26 September 2021 £m	52 weeks ended 27 September 2020 £m
	Note		
Revenue	5	231	337
Other income	6	2	4
Operating costs before depreciation and amortisation		(151)	(274)
EBITDA*		82	67
Depreciation and amortisation		(27)	(26)
Operating profit	7	55	41
Profit on sale of property	10	1	2
Movement in valuation of the estate	11	14	(69)
Investment impairment	17	(35)	(29)
Income from subsidiaries	12	1	19
Finance income	13	1	1
Finance costs	13	(122)	(111)
Net finance costs		(121)	(110)
Loss on ordinary activities before taxation		(85)	(146)
Taxation	14	22	17
Loss for the period		(63)	(129)

*Earnings before taxation, net finance costs, income from subsidiaries, investment impairment, movements in valuation of the estate and related assets, net profit on sale of property and depreciation and amortisation.

All of the operations of the Company are continuing.

The accompanying notes form part of the financial statements.

Ei Group Limited

STATEMENT OF COMPREHENSIVE INCOME

52 weeks ended 26 September 2021

	52 weeks ended 26 September 2021 £m	52 weeks ended 27 September 2020 £m
Loss for the period	(63)	(129)
Items that will not be reclassified to the income statement:		
Unrealised surplus/ (deficit) on revaluation of the estate	26	(87)
Movement in deferred tax liability related to revaluation of the estate	(4)	13
Revaluation of assets on transfer to investment property	(1)	(2)
Revaluation of assets on transfer to non-current assets held for sale	1	(2)
Impact of rate change on deferred tax liability related to revaluation of pub estate	(18)	(6)
Other comprehensive profit/ (loss) for the period net of tax	4	(84)
Total comprehensive loss for the period	(59)	(213)

The accompanying notes form part of the financial statements.

Ei Group Limited

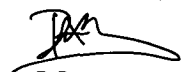
BALANCE SHEET

At 26 September 2021

	Note	26 September 2021 £m	27 September 2020 £m
Non-current assets			
Property, plant and equipment	15	1,598	1,605
Investment property	16	83	64
Investments	17	904	939
Financial assets	22	42	45
Trade receivables	20	2	2
		2,629	2,655
Current assets			
Trade and other receivables	20	719	726
Financial assets	22	2	2
Current tax		-	1
Cash		24	32
		745	761
Non-current assets held for sale	18	15	19
Total assets		3,389	3,435
Current liabilities			
Trade and other payables	21	(184)	(197)
Financial liabilities	22	(79)	(6)
		(263)	(203)
Non-current liabilities			
Financial liabilities	22	(1,493)	(1,540)
Deferred tax	24	(38)	(38)
		(1,531)	(1,578)
Total liabilities		(1,794)	(1,781)
Net assets		1,595	1,654
Equity			
Ordinary shares	26	12	12
Share premium account	28	487	487
Revaluation reserve	28	290	289
Capital redemption reserve	28	13	13
Treasury share reserve	28	(206)	(206)
Other reserve	28	87	87
Profit and loss account		912	972
Total equity		1,595	1,654

The accompanying notes form part of the financial statements.

Approved by the Board and signed on its behalf by:



D Ross

Director

22 September 2022

Ei Group Limited

STATEMENT OF CHANGES IN EQUITY

At 26 September 2021

	Ordinary shares £m	Share premium £m	Revaluation reserve £m	Capital redemption reserve £m	Treasury share reserve £m	Other reserve £m	Profit and loss account £m	Total £m
At 30 September 2019	12	486	374	13	(227)	95	1,158	1,911
Adjustment on initial application of IFRS 16	-	-	-	-	-	-	(46)	(46)
At 1 October 2019	12	486	374	13	(227)	95	1,112	1,865
Loss for the period	-	-	-	-	-	-	(129)	(129)
Other comprehensive loss	-	-	(84)	-	-	-	-	(84)
Total comprehensive loss	-	-	(84)	-	-	-	(129)	(213)
Transfer of realised revaluation surplus	-	-	(1)	-	-	-	1	-
Share-based expense recognised in operating profit	-	-	-	-	-	1	4	5
Share option entitlements exercised in the period	-	-	-	-	21	8	(29)	-
Tax related to share schemes recognised directly in equity	-	-	-	-	-	-	1	1
Purchase of own shares into Employee Benefit Trust	-	-	-	-	-	(5)	-	(5)
Share issue	-	1	-	-	-	-	-	1
Reclassification (see note 28)	-	-	-	-	-	(12)	12	-
At 27 September 2020	12	487	289	13	(206)	87	972	1,654
Loss for the period	-	-	-	-	-	-	(63)	(63)
Other comprehensive profit	-	-	4	-	-	-	-	4
Total comprehensive loss	-	-	4	-	-	-	(63)	(59)
Transfer of realised revaluation surplus	-	-	(3)	-	-	-	3	-
At 26 September 2021	12	487	290	13	(206)	87	912	1,595

The accompanying notes form part of the financial statements.

Ei Group Limited

NOTES TO THE ACCOUNTS

At 26 September 2021

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

The financial statements were approved by the Board on 22 September 2022.

The financial statements were prepared in accordance with the policies set out under the basis of preparation (see note 2). The financial statements are prepared under the historical cost convention, as modified for the revaluation of certain property, plant and equipment, investment properties and non-current assets held for sale, in accordance with the Companies Act 2006 and on a going concern basis.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the 52 weeks ended 26 September 2021. The financial statements are prepared in Sterling and are rounded to the nearest million pounds (£m).

2. BASIS OF PREPARATION

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 ("adopted IFRS"), 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 requirements of IFRS 7 Financial Instruments: Disclosure;
- The requirements of paragraph 52 and paragraph 58 of IFRS 16 Leases;
- 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; and
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets; and
 - paragraphs 76 and 79(d) of IAS 40 Investment Property
- The requirements of paragraph 134-136 of IAS 1 Presentation of Financial Statements to disclose information about capital and how it is managed;
- The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to provide information about the impact of IFRS's that have been issued but are not yet effective;
- The requirements of paragraphs 10(d), 16, 38A, 38B-D and 111 of IAS 1 and the requirements of IAS 7 Statement of Cash Flows;
- The requirements of IAS 24 Related Party Transactions to disclose transactions entered into between two parties wholly owned within the same group;
- The requirements of paragraph 16 of IAS 1 to make an explicit and unreserved statement of compliance with IFRS;
- The requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers

The Company is a private company limited by shares, incorporated in England and registered at 3 Monkspath Hall Road, Solihull, United Kingdom, B90 4SJ. It is a subsidiary of Stonegate Pub Company Topco Sarl, a company registered in Luxembourg. These financial statements present information about the Company as an individual undertaking. The top UK company which the Company is consolidated into is Stonegate Pub Company PIKCO Holdings Limited, registered at the same Solihull address as above.

Ei Group Limited

NOTES TO THE ACCOUNTS

At 26 September 2021

2. BASIS OF PREPARATION (CONTINUED)

The financial statements contain information about Ei Group Limited, as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertaking are included by full consolidation in consolidated financial statements of Stonegate Pub Company PIKCO Holdings Limited.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The directors consider that the accounting policies set out below are suitable, have been consistently applied unless otherwise stated and are supported by reasonable and prudent judgements and estimates.

Non-underlying items

The Company uses adjusted figures as key performance measures in addition to those reported under FRS 101 as management believe these measures enable them to assess the underlying performance of the business.

Adjusted figures exclude non-underlying items which comprise exceptional items, non-recurring items and other adjusting items. These are items which management consider will distort comparability based on the nature of the item, cause of occurrence and scale of impact on reported performance, whilst also not being directly a result from the underlying trading performance of the Company, nor are in the Company's direct control.

Use of accounting estimates and judgements

The Company makes judgements, estimations and assumptions during the preparation of the financial statements. Actual results may differ from these estimates under different assumptions and conditions. The estimates and assumptions that have the most significant effect on the amounts recognised in the financial statements are discussed below:

Judgements

Classification of non-underlying items

Judgement is used to determine those items that should be classified as non-underlying to give a better understanding of the underlying trading performance of the Company.

a) Non-underlying operating costs

Non-underlying operating costs relating to regulatory matters and reorganisational costs have been recognised in the operating costs before depreciation and amortisation line.

In addition, during the period following the acquisition by Stonegate, assignment premiums where an amount is paid to a publican in order to take the assignment of a lease or to break a lease at any point other than at renewal would be treated as non-underlying. These costs have been incurred following the acquisition of the Company and whilst the Group are reviewing the entire portfolio of assets and move pubs across segments into their perceived optimum operating format. This one-off process is likely to take five years, during which time any assignment premiums paid will be shown as non-underlying.

b) Net profit/(loss) on sale of property

Net profit/(loss) arising from the sale of property and provisions created in respect of the carrying value of assets held for sale all of which are not considered to form part of normal trading activities. The Company's trading operations are based around the income earned from owning property and therefore the profit or loss made from the sale of property is considered to be non-underlying.

Ei Group Limited

NOTES TO THE ACCOUNTS

At 26 September 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Movements in valuation of the estate

Any revaluation that causes the book value of a property held in property, plant and equipment to fall below historic cost will lead to a charge in the income statement. If that same property later recovers in value so that its book value exceeds historic cost, the increase in value is credited to the income statement to the extent that a debit was previously recognised. Where properties identified for disposal are revalued immediately prior to transfer to non-current assets held for sale, the revaluation movement is recognised on the same basis.

Any gain or loss arising from the change in value of investment property is recognised in the income statement in the period in which it arises.

The movements in valuation of the estate and related assets do not directly result from underlying trading performance of the Company in any one reporting period and therefore have been categorised as non-underlying since they are not in the direct control of the Company.

d) Net finance costs

Non-underlying finance costs are recognised in relation to fees written off following the commitment to extinguish or restructure borrowings or where incurred as part of debt restructuring projects.

e) Taxation

A deferred tax liability has been calculated relating to the valuation of the estate. The element recognised on the balance sheet does not include the taxable temporary difference arising from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. As this unrecognised liability changes due to capital gains indexation relief or the subsequent restriction of capital gains indexation relief, a debit or a credit is recognised in the income statement. This has been classified as a non-underlying tax item because it does not relate to any income or expense recognised in the income statement in the same period. All movements in respect of the deferred tax liability recognised in the balance sheet are accounted for in the same performance statement as the gross item to which it relates.

The effect of changes in the enacted rate of tax used to calculate deferred tax is reflected in other comprehensive income to the extent that it relates to revaluation surpluses therein and in non-underlying profit/loss for all other elements of deferred tax.

The tax effect of all other non-underlying items is also included within the non-underlying items column in the income statement.

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 principal activity of the Company is the ownership of an estate of public houses in the United Kingdom, some of which are leased to other companies within the group headed by Stonegate Pub Company Limited ("the Stonegate Group"). The Company also supplies beer and other drink product and provides all other aspects of estate management to another entity within the Stonegate Group.

The financial position of the Company is set out in the Balance Sheet on page 22 which shows net assets of £1,595 million (2020: £1,654 million), and the financial performance of the Company is set out in the Income Statement on page 20 which shows the Company generated a loss after tax of £63 million (2020: £129 million). The Company is financed by loans owed to group undertakings which totalled £1,284 million at 26 September 2021, details of which are set out in note 22.

Ei Group Limited

NOTES TO THE ACCOUNTS

At 26 September 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Going concern(continued)

The directors have performed a going concern assessment for a period of at least 12 months from the date of approval of these financial statements, which includes consideration of the going concern assessment of the Stonegate Group given the operational interdependencies between the Company and the Stonegate Group. The Company is also a guarantor on certain loans within the Stonegate Group – see note 22, and therefore would be jointly and severally liable in the case that the relevant entities within the Stonegate Group could not meet their relevant debt obligations.

In order to determine if the Stonegate Group has adequate resources to continue to meet its liabilities as they fall due and is in a position to provide financial support, if required, to the Company during the going concern assessment period, the directors have made enquiries of the directors of Stonegate Pub Company Limited in respect of the Stonegate Group's financial resources including cash flow forecasts and covenant compliance tests for a period of at least 12 months from the date of approval of these financial statements.

The Stonegate Pub Company Limited Group financial statements, authorised for issue on 23 January 2022, indicate that a material uncertainty exists over the Stonegate Group's ability to continue as a going concern due to the future uncertain effect on the Stonegate Group's 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 availability of such additional funding as may be needed.

Due to the timing between those group accounts being authorised for issue and the date of approval of these financial statements, the directors of the Company have performed enquiries with the directors of Stonegate Pub Company Limited as to whether there have been any significant changes in performance or circumstances that may affect the uncertainties that are relevant to the Company's ability to continue as a going concern during the going concern assessment period, including the impact of current macro-economic factors on the Stonegate Group. The Directors noted that in July 2022, in connection with the scheduled reduction of the Stonegate Group's revolving credit facility by £50m, the Stonegate Group agreed a new £23m revolving credit facility. The renewal is on terms consistent with the terms on the rest of the Stonegate Group's revolving credit facility.

Based on these enquiries and the above, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, the interdependencies between the Company's operational activities and the Stonegate Group, and the continued availability of such financial support as may be needed from Stonegate Pub Company Limited together with the other matters described above, represent a material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, that the Company may be unable to realise its assets and discharge its liabilities in the normal course of business. These financial statements do not contain the adjustments that would result from the basis of preparation being inappropriate.

Covid-19 financial support

Management have exercised judgement when determining that financial support granted to the Company's publicans during the period constituted variable payments under its leases. This judgement is driven by the Company's commitment to support its publicans during periods of detrimental changes to their business outside their control being part of their agreement with us for the lease of the pub. Management have determined that the Covid-19 pandemic is such a detrimental change and that the financial support concessions granted to them fall under the original terms of the lease rather than a modification to the lease. The effect of this judgement being that £25 million (2020: £12 million) of financial support has been recognised in the current financial period being the period in which the trigger event for the variable payments arose. Had the directors instead concluded that the concessions represented a modification of the existing leases, an amount of up to £25 million (2020: £12 million) would have been spread straight line over the remaining lease terms, reducing rental income in future periods.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

Property, plant and equipment, and investment property

Licensed land and buildings are revalued annually to fair value in accordance with RICS Valuation – Global Standards 2017 and IFRS 13. The valuation methodology uses an estimation of the fair maintainable trade (FMT) of a pub and then applies a multiple. The FMT is estimated based on historic trends and projected future income whilst the multiples are determined by our valuers with reference to each specific asset and market information. For more detail on the FMT and multiples see note 19.

The valuers also make reference to market evidence of transaction prices for similar properties. An adjustment to any of these assumptions could lead to a material change in the property valuation.

In the prior period, as at 27 September 2020 the spread of Covid-19 and social distancing measures put in place in order to stem that spread caused an absence of relevant and sufficient market evidence on which to base the Company's valuation. As a result, the valuation report included a clause which highlighted a 'material valuation uncertainty'. For the avoidance of doubt, this clause did not mean that the valuation could not be relied upon. Rather, it had been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion had been prepared. The clause also highlighted the importance of the valuation date in recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of Covid-19.

The above clause was not included in the current year valuation.

The highest and best use for the licensed land and buildings is assumed to be their current use by the Company, principally due to the legal restrictions imposed by the agreement with the publican, planning regulations and the financial implications of a change of use given those restrictions and the Company's business model. However, consideration is given to an alternative highest and best use if there are factors that indicate that such an alternative use exists which is physically possible, legally permissible and financially feasible.

Further information about the valuation of the estate is provided in note 15 of these financial statements.

Investment impairment

The Company tests whether the investment in subsidiary undertakings has been impaired. Management makes judgements in calculating the recoverable amount based on value-in-use calculations. In assessing value in use, the estimated future cashflows are discounted to their present value using a suitable pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In making this adjustment to the WACC management have risk adjusted the cost of debt and the cost of equity by using an average of market risk premiums and other company betas at the period end date. The estimation of short and long term growth rates are key assumptions, together with the assessment of future cash flows. Further details of the tests and carrying value of the asset are shown in note 17.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

Licensed land and buildings are held at their fair value and landlord's fixtures and fittings and other assets are held at cost.

The licensed land and buildings, except for those non-current assets held for sale, are revalued each year by external valuers or employees who are professionally qualified to carry out such valuations.

Surpluses arising from the revaluation exercise are taken through other comprehensive income to the revaluation reserve except where they reverse a revaluation decrease relating to the same asset previously recognised as an expense in the income statement. Any deficit arising from the revaluation exercise is taken through other comprehensive income to the revaluation reserve to the extent that there is a surplus in place relating to the same asset. Any further decrease in value is recognised in the income statement as an expense.

Freehold land is not depreciated. Freehold buildings are depreciated to write off the difference between their carrying value and residual value over their useful economic life of 50 years. Residual value is reviewed at least at each financial year end and there is no depreciable amount if residual value is the same as, or exceeds, book value.

Right-of-use assets are depreciated straight line over the life of the lease.

Landlord's fixtures and fittings are split into two categories, long life landlord's fixtures and fittings and short life landlord's fixtures and fittings. Both are held at cost less accumulated depreciation. At the start of the period the useful economic life of additions in the form of long life landlord's fixtures and fittings has been calculated at 30 years and short life landlord's fixtures and fittings has been calculated at five years. Depreciation is charged on a straight line basis to write off the total cost less residual value over their useful economic life.

At the start of the period depreciation has been provided on other categories of property, plant and equipment over three to 50 years on a straight line basis to residual value.

In the prior period, in accordance with its policy the Company reviewed the estimated useful lives of its fixed assets. This review indicated that the actual lives of long life landlord's fixtures and fittings were shorter than the estimated useful lives used for depreciation purposes in the Company's financial statements. As a result, effective 23 February 2020, depreciation changed to being provided on long life landlord's fixtures and fittings over a period of between five and 15 years on a straight line basis to residual value.

The review indicated that the actual lives of short life landlord's fixtures and fittings were longer than the estimated useful lives used for depreciation purposes in the Company's financial statements. As a result, effective 23 February 2020, depreciation changed to being provided on short life landlord's fixtures and fittings over a period of six years on a straight line basis to residual value.

The review indicated that the actual lives of other categories of property, plant and equipment were longer than the estimated useful lives used for depreciation purposes in the Company's financial statements. As a result, effective 23 February 2020, depreciation changed to being provided on other categories of property, plant and equipment over a period of between five and 50 years on a straight line basis to residual value.

Property, plant and equipment are reviewed annually for indications of impairment. Where any indications are identified, assets are assessed fully for impairment. Impairment occurs where the recoverable amount of the asset is less than its carrying amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Any impairment loss is treated as a revaluation decrease to the extent that a surplus exists for the same asset, and thereafter as an expense in the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment property

The Company leases some properties on commercial leases within the Commercial Properties segment, the commercial terms of these leases result in the assets meeting the criteria of investment property.

Properties held as investment property are measured at fair value reflecting market conditions at the balance sheet date. Gains and losses arising from changes in the fair value of investment property are recognised in the income statement in the period in which they arise. Fair values are determined based on an annual revaluation by external valuers or employees who are professionally qualified to carry out such valuations.

Transfers are made to/from investment property when there is a change of use evidenced by a change in the lease terms. When a property transfers from property, plant and equipment to investment property it is revalued to fair value and the movement recognised in line with the accounting policy described under property, plant and equipment. When a property transfers from investment property to property, plant and equipment it is revalued to fair value and the movement recognised in the income statement.

Non-current assets held for sale

Properties identified for disposal which are classified in the balance sheet as non-current assets held for sale are held at the lower of carrying value on transfer to non-current assets held for sale, as assessed at the time of transfer, and fair value less costs to sell. The fair value less costs to sell is based on the net estimated realisable disposal proceeds which are provided by third party property agents who have been engaged to sell the properties. Licensed land and buildings, investment property and operating lease intangibles are classified as held for sale when they have been identified for disposal. They must be available for immediate sale in their present condition and the sale should be highly probable. These conditions are met when management are committed to the sale, the pub or lease is actively marketed and the sale is expected to occur within one year.

Licensed land and buildings held for sale are not depreciated and operating lease intangible assets held for sale are not amortised.

Profits or losses on disposal of property are calculated as the difference between the net sales proceeds and the carrying amount of the asset within non-current assets held for sale at the date of disposal.

Leases

As a lessee

The Company leases properties and vehicles.

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 1 October 2019.

The Company 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

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 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.

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.

Ei Group Limited

NOTES TO THE ACCOUNTS

At 26 September 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

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.

Repairs and maintenance

Repairs and maintenance expenditure is charged to the income statement as incurred.

Assignment premiums

Where an amount is paid to a publican in order to take the assignment of a lease or to break a lease at any point other than at renewal, the payment made is expensed through administrative costs. During the period of five years following the acquisition of the Company in which time the Group will review the entire estate and move pubs across segments into their perceived optimum operating format, this will be treated as non-underlying.

Where an amount is paid to a publican in order to regain control of the property at the point of lease renewal in order that the Group can operate the site as a directly managed pub, the amount is linked to a capital investment project in order to reposition the property for the managed offering, and the premium paid is capitalised and depreciated in line with the project spend.

Financial instruments

a) Cash and cash equivalents

Cash comprises cash at bank and in hand.

b) Borrowings

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

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

c) Equity instruments

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

When the Company returns surplus cash to shareholders through share buybacks, consideration paid or payable for shares purchased for cancellation is deducted from equity.

Ei Group Limited

NOTES TO THE ACCOUNTS

At 26 September 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

d) Trade receivables and trade payables

Trade receivables are held at their original invoiced amount net of an expected credit loss ("ECL") allowance which is based on the simplified model as allowed by IFRS 9. Trade payables are held at amortised cost. Amounts owed by subsidiary undertakings are assessed for ECLs on a general basis under IFRS 9. The Company recognises a provision on this basis when the carrying value of the asset is not supported by the collateral available.

Trade receivables are reviewed at the end of each reporting period to determine whether there is any indication of expected losses. If any such indications exist, the asset's recoverable amount is estimated and any changes in expected loss is recognised directly in the Income statement. Receivables are not discounted as the impact of the time on their realised value is not significant.

e) Intercompany receivables

Amounts owed by subsidiary undertakings are assessed for ECLs on a general approach under IFRS 9, similarly to trade receivables. The Company recognises a provision on this basis when the carrying value of the asset is not supported.

Fair value measurement

The Company measures licensed land and buildings, within property, plant and equipment, investment property and non-current assets held for sale, at fair value and provides disclosure information in respect of the financial assets and liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company.

The fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use provided that use was physically possible, legally permissible and financially feasible to access. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

IFRS 13 requires that all assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole.

The classification uses the following three-level hierarchy:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Other techniques whereby the inputs are either directly or indirectly derived from market data.

Level 3 – Inputs used in the valuation are not based on observable market data.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Taxation

The tax expense comprises both the tax payable based on taxable profits for the year and deferred tax. Deferred tax is provided using the balance sheet liability method in respect of temporary differences between the carrying value of assets and liabilities for accounting and tax purposes. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. No deferred tax is recognised if the taxable temporary difference arises from goodwill or the initial recognition of an asset or

Ei Group Limited

NOTES TO THE ACCOUNTS

At 26 September 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

Tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly tax is charged or credited directly to equity if it relates to items charged or credited directly to equity. Otherwise tax is charged in the income statement. Tax is calculated using tax rates enacted or substantively enacted at the balance sheet date.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. If the effect is material, the amount of the provision is discounted using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The amount of the provision would therefore represent the present value of the expenditure expected to be required to settle the obligation.

Revenue recognition

Revenue is the fair value of consideration received or receivable for goods and services provided in the normal course of business, net of discounts and VAT. Revenue is recognised when performance obligations are satisfied and control has passed to the customer. Revenue from drink and food is recognised at the point at which the goods are provided. Property rental income is recognised on a straight line basis over the life of the lease. Amusement machine royalties are recognised in the accounting period to which the income relates.

Publican Partnerships

Drink revenue - Drink revenue is earned from the supply of drink products to publicans and revenue is recognised at the point of delivery to the pub as this is when the performance obligations of the sale are deemed to be met. At this point physical possession is passed to the publican who takes control of the product. The proceeds from the sale are recognised as revenue.

Rent revenue - Rent revenue is recognised on a straight line basis over the term of the lease based on the contractual terms of the lease agreement.

Revenue from amusement and other machines - Amusement machine royalty income represents our share of the net income earned from machines in our properties. The revenue is recognised in the period to which the sale relates, and the revenue is determined through the supply of data from a third party.

Commercial Properties

Rent revenue - Rent revenue is recognised on a straight line basis over the term of the lease based on the contractual terms of the lease agreement.

Government grant

Money received in the form of a government grant is treated as a revenue grant. Therefore, grant income is recorded within other income in the income statement on a systematic basis in the same periods as the related expenses occurred.

Ei Group Limited

NOTES TO THE ACCOUNTS

At 26 September 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments

In the current period, the Company has not operated any share-based payment schemes for employees.

In part of the prior period, the Company operated a number of equity-settled share-based payment schemes for employees. Share-based payments are measured at fair value at the date of the award. This value is subsequently updated at each balance sheet date for management's best estimate of the effect of non-market based vesting conditions on the number of equity instruments that will ultimately vest. In valuing equity-settled transactions, no account is taken of any service and performance (vesting conditions), other than performance conditions linked to the price of the shares of the Company (market conditions). Any other conditions which are required to be met in order for an employee to become fully entitled to an award are considered to be non-vesting conditions. Like market performance conditions, non-vesting conditions are taken into account in determining the grant date fair value. The fair value is recognised as an expense over the vesting period by calculating the cumulative expense and recognising the movement in the cumulative expense in the income statement. A corresponding entry is made to equity.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance or service conditions are satisfied.

Where share vesting has been brought forward the fair value charge is accelerated in the period in which the early vesting occurred.

Dividends

Final dividends are recognised as a liability when they have been approved by shareholders at the Annual General Meeting. Interim dividends are recognised when they are paid.

Treasury shares

The cost of own shares held in employee benefit trusts and in treasury is deducted from shareholders' equity until the shares are cancelled, re-issued or disposed of. Any proceeds received are also taken to shareholders' equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of own shares held.

Operating profit

Operating profit as referred to in the income statement is defined as being profit generated from trading activities before net profit/(loss) on sale of property, movements in valuation of the estate, investment impairment, finance costs and taxation.

Non-underlying items

The Company uses adjusted figures as key performance measures in addition to those reported under IFRS as management believe these measures enable them to assess the underlying performance of the business.

Adjusted figures exclude non-underlying items which comprise exceptional items, non-recurring items and other adjusting items.

4. NON-UNDERLYING ITEMS

The Company uses adjusted figures as key performance measures in addition to those reported under FRS101 as management believe these measures better reflect the ongoing trading transactions and enable better comparability and accountability for performance for them and other stakeholders. Adjusted figures exclude non-underlying items which comprise exceptional items, non-recurring items and other adjusting items.

Ei Group Limited

NOTES TO THE ACCOUNTS

At 26 September 2021

4. NON-UNDERLYING ITEMS (CONTINUED)

Non-underlying items include assignment premiums paid to a publican in order to take the assignment of a lease or to break a lease at any point other than at renewal during the period post acquisition, the profit/loss on sale of property, the movement in valuation of the estate, impairment of investments in subsidiaries and costs incurred in respect of refinancing.

The adjusted figures are derived from the reported figures under FRS 101 as follows:

52 weeks ended 26 September 2021				52 weeks ended 27 September 2020			
		Underlying items	Non-underlying items	Total	Underlying items	Non-underlying items	Total
	Note	£m	£m	£m	£m	£m	£m
Revenue	5	231	-	231	337	-	337
Other income	6	2	-	2	4	-	4
Operating costs before depreciation and amortisation		(149)	(2)	(151)	(246)	(28)	(274)
EBITDA		84	(2)	82	95	(28)	67
Depreciation and amortisation		(27)	-	(27)	(26)	-	(26)
Operating profit		57	(2)	55	69	(28)	41
Profit on sale of property	10	-	1	1	-	2	2
Movement in valuation of the estate	11	-	14	14	-	(69)	(69)
Investment impairment	17	-	(35)	(35)	-	(29)	(29)
Income from subsidiaries		1	-	1	19	-	19
Finance income		1	-	1	1	-	1
Finance costs		(122)	-	(122)	(94)	(17)	(111)
Net finance costs		(121)	-	(121)	(93)	(17)	(110)
(Loss)/profit on ordinary activities before taxation		(63)	(22)	(85)	(5)	(141)	(146)
Taxation	14	15	7	22	8	9	17
(Loss)/profit for the period		(48)	(15)	(63)	3	(132)	(129)

Non-underlying operating costs before depreciation and amortisation

In the current period, £1 million (2020: £2 million) has been recognised in non-underlying operating costs in respect of assignment premiums paid to publicans in order to take the assignment of a lease or to break a lease at any point other than at renewal.

In the current period, £1 million (2020: £7 million) of costs have been recognised in respect of various integration and restructuring costs on acquisition of the Company by Leased and Tenanted Pubs 1 Limited (previously known as Stonegate Pub Company Bidco Limited) in the prior period.

In addition, in the prior period, following the acquisition of the entire share capital of the Company by Leased and Tenanted Pubs 1 Limited (previously known as Stonegate Pub Company Bidco Limited), the following other charges were incurred that were recognised as non-underlying operating costs before depreciation and amortisation:

Ei Group Limited

NOTES TO THE ACCOUNTS

At 26 September 2021

4. NON-UNDERLYING ITEMS (CONTINUED)

- £15 million of legal and professional fees in order for the transaction to complete; and
- £4 million of charges in relation to share based payments. This expense related wholly to the acceleration of various equity-settled schemes due to the acquisition.

Non-underlying finance costs

In the prior period, the following costs were recognised:

Under the change of control clause within the original RCF agreement and following the acquisition of the Company by Leased and Tenanted Pubs 1 Limited (previously known as Stonegate Pub Company Bidco Limited) the drawn balance on the RCF was repaid and the facility was cancelled. £1 million of fees remaining on the balance sheet on extinguishment were written off in the income statement and recognised in non-underlying finance costs.

Under the change of control clause within the original secured corporate bond agreements and following the acquisition of the Company by Leased and Tenanted Pubs 1 Limited (previously known as Stonegate Pub Company Bidco Limited) the Company was required to repay the secured corporate bonds at par, no premium was payable but £2 million of fees remaining on the balance sheet on extinguishment were written off in the income statement and recognised in non-underlying finance costs.

Under the change of control clause within the original unsecured corporate bond agreement and following the acquisition of the Company by Leased and Tenanted Pubs 1 Limited (previously known as Stonegate Pub Company Bidco Limited) the Company was required to repay the unsecured corporate bond with a premium of £11 million being payable on redemption and £3 million of fees remaining on the balance sheet on extinguishment were written off in the income statement, both of these were recognised in non-underlying finance costs.

For further analysis on profit on sale of properties see note 10. For further analysis on movement in valuation of the estate see notes 11 and 19. For further information on investment of impairments see note 17. For further analysis on non-underlying tax see note 14.

5. REVENUE

Revenue consists of rental income and revenue earned from the supply of drink products to publicans. Revenue from amusement and other machines represents our share of the net income earned from machines in our properties.

All revenue arises in the United Kingdom.

	52 weeks ended 26 September 2021 £m	52 weeks ended 27 September 2020 £m
Drinks revenue	187	271
Rent revenue	43	64
Revenue from amusement and other machines	1	2
	231	337

Ei Group Limited

NOTES TO THE ACCOUNTS

At 26 September 2021

6. OTHER INCOME

	52 weeks ended 26 September 2021 £m	52 weeks ended 27 September 2020 £m
Government grants	2	4
	2	4

Included within other income is £2 million (2020: £4 million) received from the government as part of the Coronavirus Job Retention Scheme.

7. OPERATING PROFIT

Operating profit is stated after charging:	52 weeks ended 26 September 2021 £m	52 weeks ended 27 September 2020 £m
Cost of sales	110	169
Other direct selling costs	2	4
Other property costs	3	3
Administrative costs	34	70
Non-underlying administrative costs	2	28
	151	274
Depreciation and amortisation	27	26
	178	300

The audit fees of the Company for the 52 weeks ended 26 September 2021 were £130,000 (52 weeks ended 27 September 2020: £154,000). Non-audit services fees of £17,000 (52 weeks ended 27 September 2020: non-audit assurance related fees and non-audit services fees of £57,000) have also been incurred.

8. DIRECTORS' EMOLUMENTS

Directors remuneration is summarised below to the nearest £000. All directors remuneration borne by the Company is in relation to directors in place in the prior period and before the acquisition of the Company by Leased and Tenanted Pubs 1 Limited (previously known as Stonegate Pub Company Bidco Limited) on 3 March 2020.

	52 weeks ended 26 September 2021 £000	52 weeks ended 27 September 2020 £000
Directors' remuneration	-	922
Executive directors' pensions	-	97
Compensation for loss of office	-	1,635
Amounts receivable under long term incentive plans	-	5,941

Directors' remuneration comprised fees, salary, benefits and performance-related bonus. Directors' pension represents salary supplements in lieu of directors' pension contributions.

In the prior period, amounts receivable under long term incentive plans were in respect of two directors and during that period, two directors exercised share options.

Ei Group Limited

NOTES TO THE ACCOUNTS

At 26 September 2021

8. DIRECTORS' EMOLUMENTS (CONTINUED)

In respect of the highest paid director:

	52 weeks ended 26 September 2021 £000	52 weeks ended 27 September 2020 £000
Aggregate remuneration	-	1,146
Aggregate pension accrued	-	53

The highest paid director exercised share options during the prior period and also received shares under the Company's long term incentive scheme.

External appointments

In the prior period, the executive directors may accept outside appointments provided that such appointments do not in any way prejudice their ability to perform their duties as executive directors of the Company. The extent to which any executive director is allowed to retain any fees payable in respect of such outside appointments, or whether such fees are remitted to the Company, will be assessed on a case-by-case basis. On 1 March 2019 Simon Townsend was appointed as a non-executive director of Countryside Properties PLC. The fee Simon Townsend received for that appointment in the period 1 October 2019 to 27 September 2020 was £48,000 and it was retained by Simon Townsend. No other appointments were held by the executive directors.

Following the acquisition of the Company in March 2020 the directors' remuneration has been borne by fellow group Companies and not recharged to the Company. The remuneration for qualifying services to the entity of the directors was £485,000 for the 52 weeks ended 26 September 2021 (3 March 2020 to 27 September 2020: £188,000).

9. STAFF NUMBERS AND COSTS

Staff costs consist of:

	52 weeks ended 26 September 2021 £m	52 weeks ended 27 September 2020 £m
Wages and salaries	12	40
Social security costs	1	5
Pension costs	1	2
	14	47

Included in the prior period wages and salaries is an expense relating to share-based payments of £5 million. All of this expense arose from transactions accounted for as equity-settled share based payments (see note 27).

Pension costs represent payments made into employees' individual defined contribution plans.

Ei Group Limited

NOTES TO THE ACCOUNTS

At 26 September 2021

9. STAFF NUMBERS AND COSTS (CONTINUED)

The average monthly number of employees comprised:

	52 weeks ended 26 September 2021	52 weeks ended 27 September 2020
Operations staff	86	242
Administration staff	384	379
	470	621

All Ei Group Limited staff had their employment transferred to Stonegate Pub Company Limited on 1 April 2021. The average monthly number of employees above is therefore calculated based on the period from 28 September 2020 to 31 March 2021.

10. PROFIT ON SALE OF PROPERTY

	52 weeks ended 26 September 2021 £m	52 weeks ended 27 September 2020 £m
Profits on sale of property, plant and equipment	5	3
Losses on sale of property, plant and equipment	(3)	(1)
Write down in respect of assets held for sale	(1)	-
	1	2

Profit/(loss) on sale of property, plant and equipment during the period relate to 52 properties with a carrying value of £19 million which were sold for proceeds, net of expenses, amounting to £21 million (52 weeks ended 27 September 2020: 39 properties with a carrying value of £11 million which were sold for proceeds, net of expenses, amounting to £13 million).

In addition, there was a £nil net profit/(loss) on the sale of 4 investment properties, which had a carrying value of £3 million and were sold for proceeds, net of expenses, amounting to £3 million (52 weeks ended 27 September 2020: 4 properties with a carrying value of £nil which were sold for proceeds, net of expenses, amounting to £nil).

The write down in respect of assets held for sale relates to 4 properties which have received an additional write down once moved to held for sale, with a carrying value at the period end of £3 million (2020: nil properties).

Ei Group Limited

NOTES TO THE ACCOUNTS

At 26 September 2021

11. MOVEMENT IN VALUATION OF THE ESTATE

		52 weeks ended 26 September 2021 £m	52 weeks ended 27 September 2020 £m
Movement in property, plant and equipment from revaluation of the estate	15	11	(49)
Impairment of property, plant and equipment	15	-	(10)
Impairment reversal of property, plant and equipment	15	2	-
Movement in fair value of investment property from revaluation of the estate	16	1	(4)
Revaluation of property, plant and equipment on transfer to non-current assets held for sale	15	-	(6)
		14	(69)

12. INCOME FROM SUBSIDIARIES

	52 weeks ended 26 September 2021 £m	52 weeks ended 27 September 2020 £m
Dividend income received from subsidiaries	1	19
	1	19

13. FINANCE COSTS

	52 weeks ended 26 September 2021 £m	52 weeks ended 27 September 2020 £m
Bank borrowings	-	1
Corporate bonds/securitised bonds	-	33
Interest on intercompany loans	106	44
Discounting of lease liabilities	16	16
Total underlying finance costs	122	94
Non-underlying finance cost	-	17
Total finance cost	122	111

For more detail on non-underlying finance costs see note 4.

Ei Group Limited

NOTES TO THE ACCOUNTS

At 26 September 2021

14. TAXATION

a) Analysis of total tax credit recognised in the income statement

	52 weeks ended 26 September 2021			52 weeks ended 27 September 2020		
	Underlying	Non- underlying	Total	Underlying	Non- underlying	Total
	items	items		items	items	
	£m	£m	£m	£m	£m	£m
Current tax						
UK Corporation tax	(2)	-	(2)	5	(4)	1
Adjustments in respect of prior years	2	-	2	(1)	-	(1)
Total current tax	-	-	-	4	(4)	-
Deferred tax						
Origination and reversal of timing differences	(10)	2	(8)	(8)	(5)	(13)
Impact of rate change	-	(9)	(9)	-	-	-
Adjustment in respect of prior years	(5)	-	(5)	(4)	-	(4)
Total deferred tax	(15)	(7)	(22)	(12)	(5)	(17)
Taxation	(15)	(7)	(22)	(8)	(9)	(17)

Ei Group Limited

NOTES TO THE ACCOUNTS

At 26 September 2021

14. TAXATION (CONTINUED)

b) Tax credit reconciliation

The tax assessed for the year is lower than (2020: higher than) the standard rate of corporation tax in the UK.

The difference is explained below:

	52 weeks ended 26 September 2021			52 weeks ended 27 September 2020		
	Underlying	Non- underlying	Total	Underlying	Non- underlying	Total
	items	Items	Total	items	items	Total
	£m	£m	£m	£m	£m	£m
(Loss)/profit on ordinary activities before taxation	(65)	(20)	(85)	(5)	(141)	(146)
(Loss)/profit on ordinary activities before tax at 19.0% (2020: 19.0%)	(12)	(4)	(16)	(1)	(27)	(28)
Effects of:						
Expenses not deductible for tax purposes and non-taxable income	-	8	8	(2)	12	10
Movement in deferred tax liability due to indexation*	-	(2)	(2)	-	2	2
Other adjustments to capital gains and tax base cost not recognised in the financial statements	-	-	-	-	6	6
Impact of rate change on deferred tax	-	(9)	(9)	-	(2)	(2)
Adjustments in respect of prior years	(3)	-	(3)	(5)	-	(5)
Taxation	(15)	(7)	(22)	(8)	(9)	(17)

* Reflects indexation, or restriction of previously recorded indexation, in respect of rolled over gains or further indexation, or restriction of previously recognised further indexation in respect of gains unrecognised due to the application of initial recognition exemption on assets acquired other than through a business combination.

Ei Group Limited

NOTES TO THE ACCOUNTS

At 26 September 2021

14. TAXATION (CONTINUED)

c) Deferred tax recognised in the income statement

	52 weeks ended 26 September 2021			52 weeks ended 27 September 2020		
	Underlying	Non-		Underlying	Non-	
	items	underlying	Total	items	underlying	Total
	£m	£m	£m	£m	£m	£m
Adjustments in respect of prior years	(5)	-	(5)	(4)	-	(4)
Accelerated capital allowances	-	(2)	(2)	-	(1)	(1)
IFRS 16 transition adjustment	1	-	1	-	-	-
Corporate Interest Restriction disallowance	(11)	-	(11)	(9)	-	(9)
Other timing differences	-	-	-	1	(1)	-
Deferred tax on the movement in the valuation of the estate*	-	2	2	-	(9)	(9)
Movement in deferred tax on retained properties due to indexation	-	(2)	(2)	-	2	2
Other adjustments to capital gains and tax base cost not recognised in the financial statements	-	4	4	-	6	6
Impact of rate change	-	(9)	(9)	-	(2)	(2)
	(15)	(7)	(22)	(12)	(5)	(17)

* The £2 million (2020: £9 million credit) deferred tax charge on movement in valuation of the estate includes a charge of £3 million (2020: £8 million credit) being the tax effect of the credit of £14 million (2020: charge of £69 million) non-underlying movement in the pub estate and related assets recognised in the income statement (note 11) net of the impact of the initial recognition exemption, a credit of £2 million (2020: £1 million) being the tax effect of property depreciation and a tax charge of £1 million (2020: £nil) in respect of properties disposed of.

Ei Group Limited

NOTES TO THE ACCOUNTS

At 26 September 2021

14. TAXATION (CONTINUED)

d) Tax recognised in reserves

	52 weeks ended 26 September 2021 £m	52 weeks ended 27 September 2020 £m
Movement in deferred tax on retained properties due to indexation	(1)	3
Movement in deferred tax liability related to revaluation of the estate	5	(16)
Movement in corporation tax related to share scheme	-	(2)
Movement in deferred tax related to share scheme	-	1
Impact of rate change on deferred tax liability related to revaluation of pub estate	18	6
Deferred tax on adoption of IFRS 16	-	(10)
Total credit in reserves	22	(18)

e) Factors that may affect future tax charges

On 24 May 2021, the UK Government substantively enacted the change in the main rate of corporation tax to 25% from 19% which will come into effect from 1 April 2023. As this change was substantively enacted during the period, deferred taxation has been calculated at that rate.

Ei Group Limited

NOTES TO THE ACCOUNTS

At 26 September 2021

15. PROPERTY, PLANT AND EQUIPMENT

	Right-of- Use Asset Property £m	Right-of- Use Asset Cars £m	Licensed Land and Buildings £m	Landlord's Fixtures and Fittings £m	Other Assets £m	Total £m
Cost or valuation						
At 27 September 2020	191	4	1,276	173	45	1,689
Additions	-	1	8	9	-	18
Disposals	-	-	-	(3)	-	(3)
Revaluation:						
-Recognised in the revaluation reserve	-	-	26	-	-	26
-Recognised in the income statement	-	-	11	-	-	11
Impairment reversal	2	-	-	-	-	2
Revaluation on transfer to investment property:						
-Recognised in the revaluation reserve	-	-	(1)	-	-	(1)
Net transfers to investment properties	(2)	-	(19)	(1)	-	(22)
Revaluation of non-current assets held for sale to fair value:						
-Recognised in the revaluation reserve	-	-	1	-	-	1
Net transfers to non-current assets held for sale	(2)	-	(11)	(2)	-	(15)
At 26 September 2021	189	5	1,291	176	45	1,706
Accumulated depreciation						
At 27 September 2020	7	1	7	48	21	84
Disposals	-	-	-	(2)	-	(2)
Charge for the year	6	1	1	15	4	27
Net transfers to non-current assets held for sale	-	-	-	(1)	-	(1)
At 26 September 2021	13	2	8	60	25	108
Net book value:						
At 26 September 2021	176	3	1,283	116	20	1,598
At 27 September 2020	184	3	1,269	125	24	1,605

Other assets include office property, plant and equipment, flow metering equipment and non-licenced properties.

In accordance with its policy the Company reviews the estimated useful lives of its fixed assets on an ongoing basis. In the prior period, this review indicated that the actual lives of long life landlord's fixtures and fittings were shorter than the estimated useful lives used for depreciation purposes in the Company's financial statements. As a result, effective 23 February 2020, the Company changed its estimate of the useful lives of long life landlord's fixtures and fittings that previously averaged 30 years to a period of between five and 15 years. The effect of this change in the prior period was to increase the depreciation expense by £4,969,000.

Ei Group Limited

NOTES TO THE ACCOUNTS

At 26 September 2021

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

In the prior period, the review has indicated that the actual lives of short life landlord's fixtures and fittings were longer than the estimated useful lives used for depreciation purposes in the Company's financial statements. As a result, effective 23 February 2020, the Company changed its estimate of the useful lives of short life landlord's fixtures and fittings that previously averaged five years to an average of six years. The effect of this change in the prior period was to decrease the depreciation expense by £469,000.

Furthermore, in the prior period, the review has indicated that the actual lives of other categories of property, plant and equipment were longer than the estimated useful lives used for depreciation purposes in the Company's financial statements. As a result, effective 23 February 2020, the Company changed its estimate of the useful lives of other categories of property, plant and equipment that previously averaged between three and 50 years to an average of between five and 50 years. The effect of this change in the prior period was to decrease the depreciation expense by £637,000.

If licensed land and buildings had been measured using the cost model, the carrying amounts would be as follows:

	26 September 2021 £m	27 September 2020 £m
Cost	1,122	1,139
Accumulated depreciation	(18)	(18)
	1,104	1,121

The Company's freehold and leasehold properties held in property, plant and equipment and investment property were valued at 26 September 2021 on the basis of open market value for existing use. The valuations were undertaken in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors in the United Kingdom by GVA Grimley Limited (t/a Avison Young), independent Chartered Surveyors, or have been valued internally.

These valuations have been incorporated into the financial statements. Any revaluation that causes the book value of a property held in property, plant and equipment to fall below historic cost results in a charge in the income statement. If that same property later recovers in value so that its book value exceeds historic cost, the increase in value is credited to the income statement to the extent that a debit was previously recognised. Any gain or loss arising from the change in value of investment property is recognised in the income statement.

The total year end revaluation resulted in a total revaluation surplus of £36 million (52 weeks ended 27 September 2020: deficit of £136 million).

Ei Group Limited

NOTES TO THE ACCOUNTS

At 26 September 2021

16. INVESTMENT PROPERTY

The Company leases some properties to tenants on commercial leases, the commercial terms of these leases result in the assets meeting the criteria of investment property.

	Right-of- Use Asset £m	Land and Buildings £m	Total £m
27 September 2020	17	47	64
Net transfers from property, plant and equipment	2	20	22
Net transfers to non-current assets held for sale	-	(4)	(4)
Revaluation to fair value	(1)	2	1
Net book value at 26 September 2021	18	65	83

If investment properties had been measured using the cost model, the carrying amounts would be as follows:

	26 September 2021 £m	27 September 2020 £m
Cost	56	45
Accumulated depreciation	(2)	(2)
	54	43

Ei Group Limited

NOTES TO THE ACCOUNTS

At 26 September 2021

17. INVESTMENTS

	26 September 2021 £m	27 September 2020 £m
Cost or valuation		
At start of period	939	968
Impairment	(35)	(29)
At the period end	904	939

At the period end, the Company has carried out an impairment review of investments held which involved calculating a value in use using forecast cash flows, a long term growth rate and a suitable discount rate.

The cashflows used in the impairment review for years one and two following the period end are based on actual and projected cashflows calculated with reference to pre Covid-19 pandemic levels. The growth rate of 2.5% has been used in the calculation for years two to five following the period end and 1% thereafter (52 weeks ended 27 September 2020: growth rate of 2.5% has been used in the calculation for years two to five following the period end and 1% thereafter).

The discount rate used is based on the pre tax 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 WACC management have risk adjusted the cost of debt and the cost of equity by using an average of market risk premiums and other company betas at the period end date. The risk adjusted discount rate used in the testing at 26 September 2021 was 9.01% (27 September 2020: 8.4%).

This has resulted in an impairment of £35 million (52 weeks ended 27 September 2020: impairment of £29 million) resulting in the carrying value of investments at 26 September 2021 being £904 million (27 September 2020: £939 million).

As an assessment of theoretical sensitivities to this impairment review calculation, an increase of 0.25% in the discount rate used would result in an impairment of £54 million (52 weeks ended 27 September 2020: further impairment of £75 million) or a decrease of 0.25% in the discount rate used would result in headroom of £22 million (52 weeks ended 27 September 2020: reduction in the impairment of £66 million). Similarly an increase of 0.25% in the short-term and long-term growth rates used would result in headroom of £24 million (52 weeks ended 27 September 2020: headroom of £70 million) or a decrease of 0.25% in the short-term and long-term growth rates used would result in a further impairment of £57 million (year ended 27 September 2020: further impairment of £80 million).

The Company's subsidiaries are listed in note 31.

Ei Group Limited

NOTES TO THE ACCOUNTS

At 26 September 2021

18. NON-CURRENT ASSETS HELD FOR SALE

	26 September 2021			27 September 2020		
	Right-of- Use Asset £m	Land and Buildings, Landlords Fixtures and Fittings £m	Total £m	Right-of- Use Asset £m	Land and Buildings, Landlords Fixtures and Fittings £m	Total £m
As previously reported at previous period end	2	17	19	-	7	7
Adoption of IFRS 16	-	-	-	12	-	12
At start of period	2	17	19	12	7	19
Net transfer from property, plant and equipment	2	12	14	(1)	22	21
Net transfer from/(to) investment properties	-	4	4	(8)	-	(8)
Write down to fair value less costs to dispose	-	(1)	(1)	-	-	-
Disposals	-	(21)	(21)	(1)	(12)	(13)
At the period end	4	11	15	2	17	19
Representing:						
Right of use assets	4	-	4	2	-	2
Property, plant and equipment	-	10	10	-	17	17
Investment property	-	1	1	-	-	-
	4	11	15	2	17	19

Non-current assets held for sale comprises both freehold and leasehold licensed and unlicensed properties that have been identified by the Company for disposal as part of the continued disposal programme. The sale of all assets within this category is expected to be completed within one year of the balance sheet date.

At the end of the prior period non-current assets held for sale includes 22 properties (52 weeks ended 27 September 2020: 44 properties) which are expected to be sold within the next year. The prior year 44 properties includes 11 sites identified by the CMA as sites which were to be disposed following the acquisition of Ei Group Limited by Leased and Tenanted Pubs 1 Limited (previously known as Stonegate Pub Company Bidco Limited). At the end of the prior period, a balance of £3 million (2020: £2 million) in relation to these properties is held within the revaluation reserve representing revaluation surpluses.

NOTES TO THE ACCOUNTS

At 26 September 2021

19. PROPERTY FAIR VALUE MEASUREMENTS

In determining the appropriate classes of asset to present for fair value purposes, the Company has considered the nature, characteristics and risks of the assets. This has resulted in determining two separate classes of assets being property assets held in property, plant and equipment and property assets held in investment property.

Revaluation of property assets held in property, plant and equipment and investment property

Valuations are carried out on an annual basis at each period end date. With the exception of properties identified for disposal and transferred to non-current assets held for sale, the Company's properties were revalued as at 26 September 2021 by GVA Grimley Limited (t/a Avison Young) or have been valued internally (in the prior period a small number of pubs were also valued by Colliers International Property Advisers UK LLP, independent Chartered Surveyors). For further analysis of the pubs valued by valuer see table below.

All valuations of assets have been assessed as being level 3 valuations, as there are no directly comparable market observable inputs.

Property assets held in property, plant and equipment were valued using fair maintainable trade income (FMT) capitalised at an appropriate rate of return (as defined within RICS Valuation - 2017 Global Edition) or an equivalent multiple. This method of valuation involves making an assessment of the fair maintainable rent, wholesale and machine income that can be generated from the property assuming they are run by a reasonably efficient operator, taking into account future trading potential. This assessment of profit is then capitalised at an appropriate multiple to reflect the risks and rewards of the property. In determining the multiple to use, the valuers consider evidence of comparable market transactions. The resulting fair value of the pub represents the land and buildings and any fixed landlords' fixtures and fittings. The valuation of the managed pub assets is prepared using a consistent approach that effectively capitalises the net income attributable to the Company from operating the pub at an appropriate multiple.

Property assets held in investment property include free-of-tie pubs let to tenants at open market rents and non-pub assets, which are predominantly blue-chip let convenience stores. These assets have been valued adopting the investment method of valuation. By reference to the rents, fixed lease terms and market conditions, an appropriate multiple based on comparable market transactions is applied, discounting future rental receipts back to present value.

As valuers make reference to market evidence of transaction prices for similar properties an adjustment to any of these assumptions could lead to a material change in the property valuation. At 27 September 2020 the spread of Covid-19 and social distancing measures put in place in order to stem that spread caused an absence of relevant and sufficient market evidence on which to base the Company's valuation. As a result, the valuation report included a clause which highlighted a 'material valuation uncertainty'. For the avoidance of doubt, this clause does not mean that the valuation cannot be relied upon. Rather, it has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. The clause also highlights the importance of the valuation date in recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of Covid-19.

The above clause was not included in the current year valuation.

All classes of asset are, under IFRS 13, required to be valued at highest and best use. IFRS 13 prescribes that the Company's current use is presumed to be its highest and best value, unless market or other factors suggest that a different use by market participants would maximise the value of the asset. In doing their valuations, the valuers consider whether the asset may have a higher or better feasible use which would be reflected in the fair value where applicable. This is on an asset by asset basis if there are circumstances to indicate that there may be a higher and better use. In the current period the highest and best use of all the property assets in property, plant and equipment and investment property has been assessed as their existing use.

Ei Group Limited

NOTES TO THE ACCOUNTS

At 26 September 2021

19. PROPERTY FAIR VALUE MEASUREMENTS (CONTINUED)

The impact of the revaluation is as follows:

	26 September 2021 £m	27 September 2020 £m
Income Statement		
Revaluation loss charged as an impairment	(11)	(55)
Reversal of past impairments	22	6
Gains on revaluation of investment property	4	1
Losses on revaluation of investment property	(3)	(5)
Losses on revaluation of non-current assets held for sale	-	(6)
Impairment of property, plant and equipment	-	(10)
Reversal of impairment of property, plant and equipment	2	-
	14	(69)

	26 September 2021 £m	27 September 2020 £m
Revaluation reserve		
Unrealised surplus	41	8
Reversal of past revaluation surplus	(15)	(99)
	26	(91)

The table below presents, by class of property, the income and multiple bandings within which the properties have been valued, and the number of properties that have been valued in each of the bandings. In determining the bandings to use, the Company has considered a variety of options including size and location of property, but has concluded that the value of the property is principally driven by FMT and multiple, so this forms the most appropriate disclosure.

Ei Group Limited

NOTES TO THE ACCOUNTS

At 26 September 2021

19. PROPERTY FAIR VALUE MEASUREMENTS (CONTINUED)

Number of pub assets – within property, plant and equipment

FMT income bandings	Total number	Multiple applied to FMT				
		Over 12 times	10 – 12 times	8 – 10 times	6 – 8 times	Under 6 times
At 27 September 2020						
more than £90,000 per annum	487	42	141	273	27	4
£60,000 to £90,000 per annum	672	82	246	292	44	8
less than £60,000 per annum	646	156	255	183	35	17
	1,805	280	642	748	106	29
At 26 September 2021						
more than £90,000 per annum	516	42	157	272	32	13
£60,000 to £90,000 per annum	697	108	240	274	61	14
less than £60,000 per annum	545	174	178	126	46	21
	1,758	324	575	672	139	48

Number of pub assets – within non-current assets held for sale

FMT income bandings	Total number	Multiple applied to FMT				
		Over 12 times	10 – 12 times	8 – 10 times	6 – 8 times	Under 6 times
At 27 September 2020						
more than £90,000 per annum	-	-	-	-	-	-
£60,000 to £90,000 per annum	1	-	-	-	1	-
less than £60,000 per annum	43	1	-	1	1	40
	44	1	-	1	2	40
At 26 September 2021						
more than £90,000 per annum	-	-	-	-	-	-
£60,000 to £90,000 per annum	-	-	-	-	-	-
less than £60,000 per annum	22	-	-	-	-	22
	22	-	-	-	-	22

Ei Group Limited

NOTES TO THE ACCOUNTS

At 26 September 2021

19. PROPERTY FAIR VALUE MEASUREMENTS (CONTINUED)

Number of pub assets – within investment property

FMT income bandings	Total number	Multiple applied to FMT				
		Over 16 times	14 – 16 times	12 – 14 times	10 – 12 times	Under 10 times
At 27 September 2020						
more than £90,000 per annum	11	-	-	7	4	-
£60,000 to £90,000 per annum	20	-	-	15	4	1
less than £60,000 per annum	30	-	1	20	2	7
	61	-	1	42	10	8
At 26 September 2021						
more than £90,000 per annum	11	-	-	9	2	-
£60,000 to £90,000 per annum	33	-	7	21	4	1
less than £60,000 per annum	37	-	7	23	2	5
	81	-	14	53	8	6

Sensitivity analysis table

The significant unobservable inputs used in the fair value measurement categorised within level 3 of the fair value hierarchy of the Company's estate are FMT and a multiple. There is a limited amount of interrelation between the variation in these inputs.

A change in either of these assumptions could have a significant effect on the overall valuation of the estate. Sensitivities around these assumptions that are deemed to be reasonably likely based on the experience of the valuers are illustrated below:

	26 September 2021 £m	27 September 2020 £m
FMT sensitivity		
+ 2.5%	37	36
- 2.5%	(37)	(36)
Multiple sensitivity		
+ 2.5%	36	36
- 2.5%	(36)	(36)

The majority of the estate has been valued by GVA Grimley Limited (t/a Avison Young) (1,839 properties). The remaining properties held in Ei Group Limited (207 properties) have been valued by the internal Estates Director using RICS valuation guidelines. The results of this internal valuation have been compared to that of the external valuers, to ensure that the results are consistent.

Ei Group Limited

NOTES TO THE ACCOUNTS

At 26 September 2021

19. PROPERTY FAIR VALUE MEASUREMENTS (CONTINUED)

The following table provides a reconciliation of property numbers:

	Property, plant and equipment	Investment property	Non-current assets held for sale	Total properties
At 26 September 2021				
Properties valued by GVA Grimley Limited (t/a Avison Young)	1,758	81	-	1,839
Properties valued internally	-	-	22	22
Total	1,758	81	22	1,861
Properties held under operating leases	157	28	-	185
Total properties	1,915	109	22	2,046

	Property, plant and equipment	Investment property	Non-current assets held for sale	Total properties
At 27 September 2020				
Properties valued by GVA Grimley Limited (t/a Avison Young)	1,802	61	-	1,863
Properties valued by Colliers International Property Advisers UK LLP	3	-	-	3
Properties valued internally	-	-	44	44
Total	1,805	61	44	1,910
Properties held under operating leases	167	24	-	191
Total properties	1,972	85	44	2,101

20. TRADE AND OTHER RECEIVABLES

Trade receivables due in more than one year represent money owed by publicans for the sale of fixtures and fittings on deferred terms and part of the balance is due in more than one year.

	26 September 2021 £m	27 September 2020 £m
Trade receivables	2	2
	2	2

Ei Group Limited

NOTES TO THE ACCOUNTS

At 26 September 2021

20. TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade and other receivables within current assets represents the following:

	26 September 2021 £m	27 September 2020 £m
Trade receivables	20	29
Amounts due from group undertakings	692	690
Prepayments and accrued income	3	3
Other receivables	4	4
	719	726

Trade receivables are stated after provisions for impairment of £3 million (52 weeks ended 27 September 2020: £5 million).

21. TRADE AND OTHER PAYABLES

	26 September 2021 £m	27 September 2020 £m
Trade payables	17	36
Amounts due to group undertakings	77	72
Social security and other taxes	17	16
Accruals and deferred income	58	58
Other payables	15	15
	184	197

Ei Group Limited

NOTES TO THE ACCOUNTS

At 26 September 2021

22. FINANCIAL ASSETS AND LIABILITIES

Financial assets	26 September 2021 £m	27 September 2020 £m
Current		
Other loans receivable	1	1
Net investment in sublease	1	1
	2	2
Non-current		
Loans due from group undertakings (see note 31)	25	27
Net investment in sublease	17	18
	42	45
Total financial assets	44	47

The above loans due from group undertakings to fund capital expenditure and working capital requirements in the group undertaking are non-interest bearing and repayable on demand but are expected to be repaid from free cash flow generated by the group companies. The loans are deemed to be repayable on demand however as they are not expected to be repaid within one year they are classified as a non-current asset. Ei Group Limited has fixed and floating charges in place over the group undertakings assets in respect of these loans.

Financial liabilities	26 September 2021 £m	27 September 2020 £m
Current		
Loan due to group undertakings (see note 31)	75	-
Lease liabilities	4	6
	79	6
Non-current		
Loan due to group undertakings (see note 31)	1,234	1,278
Lease liabilities	259	262
	1,493	1,540
Total financial liabilities	1,572	1,546
Net financial liabilities	1,528	1,499

The Company is also a guarantor on certain loans within the Stonegate Group therefore would be jointly and severally liable in the case that the relevant entities within the Stonegate Group could not meet their relevant debt obligations.

The loan due to group undertakings due after more than one year is owed to the intermediate parent company, Leased and Tenanted Pubs 1 Limited (previously known as Stonegate Pub Company Bidco Limited), which has the following terms:

Ei Group Limited

NOTES TO THE ACCOUNTS

At 26 September 2021

22. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

	Interest rate	Repayable	26 September 2021 £m	27 September 2020 £m
Loan due to group undertakings	8.25%	March 2027	1,234	1,278
Total debt			1,234	1,278

The loan due to group undertakings due within one year is the interest accrued at the balance sheet date in respect of the above loan due to Leased and Tenanted Pubs 1 Limited (previously known as Stonegate Pub Company Bidco Limited).

Intercompany Loans

Various financial balances arise directly from the Company's operations. The Company does not trade in financial instruments.

The main risks arising from the Company's financial instruments are interest rate risk, liquidity risk and credit risk. There is no currency exposure as all transactions are in sterling. The Board reviews and agrees policies for managing each of these risks and they are summarised as follows:

Liquidity risk

The Company has exposure to liquidity risk, being the risk that payments cannot be made when they fall due. Since the repayment of all external debt all covenants and debt service requirements have been removed the Company's current objective is to maintain a balance between continuity of funding and flexibility through the use of the intercompany debt.

This objective is achieved through the following processes:

- Regular cash flow forecasting and reporting through the treasury function
- Regular review of the Company's cash position and requirements repaying the interest to Leased and Tenanted Pubs 1 Limited (previously known as Stonegate Pub Company Bidco Limited) as required.

Interest rate risk

As at 26 September 2021, the Company has no net cash flow exposure to interest rate fluctuations since 100% (2020: 100%) of the loans are at fixed rates.

The Company's objective is to manage cash flow exposure to changes in interest rates. This exposure is managed on a Group basis by borrowing at fixed rates on its debt and therefore it is not considered to be a significant risk to the business.

Short-term debtors and creditors

Short-term debtors and creditors have been excluded from the following disclosures except those arising from traditional lending and deposit taking activities.

Ei Group Limited

NOTES TO THE ACCOUNTS

At 26 September 2021

22. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Fair values

The fair value of obligations under lease liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. The fair value of lease liabilities is equal to the book value of lease liabilities.

There is no difference between the book value and fair value of loans due to or from group undertakings and lease liabilities.

23. PROVISIONS

Onerous Lease Provision

	2021 £m	2020 £m
At start of period		
Current	-	1
Non-current	-	4
	-	5
Adoption of IFRS 16	-	(5)
Increase in provision during the year	-	-
Release of provision during the year	-	-
At period end	-	-
Current	-	-
Non-current	-	-
	-	-

In the prior year the opening position related to future commitments under onerous head lease agreements. The provision was moved to the right of use asset on adoption of IFRS 16.

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24. DEFERRED TAX

The movement in deferred taxation in the period comprises:

	26 September 2021 £m	27 September 2020 £m
At start of period	38	71
Movement recognised in reserves	22	(16)
Movement recognised in the income statement	(22)	(17)
At the period end	38	38

The amounts of deferred taxation provided in the accounts are as follows:

	26 September 2021 £m	27 September 2020 £m
Unrealised surplus on revaluation of fixed assets and rolled over gains	60	38
Accelerated capital allowances	34	27
Tax losses	(1)	(1)
IFRS 16 transition adjustment	(13)	(11)
Corporate Interest Restriction disallowance	(42)	(15)
At the period end	38	38

25. PENSION

During the prior period the Trustees completed the final wind-up of the Plan including the payment of the premium for GMP equalisation. Therefore as at the end of the prior period, the Company no longer retained any responsibility or obligations to the members of the Plan.

	26 September 2021 £m	27 September 2020 £m
Movement in deficit during the period		
Net deficit at the start of the period	-	(1)
GMP equalisation and other fees	-	1
Net pension deficit at the end of the period	-	-

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26. SHARE CAPITAL

	26 September 2021		27 September 2020	
	No.	£m	No.	£m
Authorised	1,000,000,000	25	1,000,000,000	25
Ordinary shares of 2.5p each				
Allotted, called up and fully paid	489,190,098	12	489,190,098	12
Ordinary shares of 2.5p each				

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

At 26 September 2021 the Company owned 45 million of its own treasury shares with a nominal value of £1 million (27 September 2020: 45 million shares with a nominal value of £1 million). Subsequent to the year end, on 26 November 2021, the Company's 45 million of treasury shares with a nominal value of £1 million were cancelled.

In the prior period, 1 million ordinary shares of 2.5 pence each were authorised and issued by the Company. These shares were used to settle the execution of options under the Company's Save As You Earn scheme resulting in them being subscribed for in cash of £1.2 million, creating £1.1 million of share premium.

27. SHARE BASED PAYMENTS

In the prior period, before the acquisition of the entire share capital of the Company by Leased and Tenanted Pubs 1 Limited (previously known as Stonegate Pub Company Bidco Limited), the Company operated share-based payment schemes for both directors and other employees. These included the Deferred Share Award, Long Term Incentive Plan (LTIP) and the Restricted Share Plan (RSP) which formed part of the former directors' remuneration. The Company also operated a Share Incentive Plan (SIP), an Employee Share Option Scheme (ESOS), and a Save as You Earn (SAYE). All schemes have now ended with share vesting and exercising accelerated and forming part of the Scheme of Arrangement and forming part of the entire share capital acquired by Leased and Tenanted Pubs 1 Limited (previously known as Stonegate Pub Company Bidco Limited). No new options were issued in the remaining part of the prior period or in the current period and therefore the below disclosures all relate to the employee share related schemes that were in place during the early part of the prior period.

In the prior period, a total expense of £5 million had been incurred in relation to share based payments and this is summarised below by scheme. This expense related wholly to the equity-settled schemes described above.

	52 weeks ended 26 September 2021 £m	52 weeks ended 27 September 2020 £m
Share Incentive Plan	-	1
Deferred Share Award and LTIP	-	3
RSP	-	1
	-	5

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27. SHARE BASED PAYMENTS (CONTINUED)

Share Incentive Plan

In the current year, the Company did not operate a Share Incentive Plan ("SIP").

In the prior year, the SIP was open to all Company and Bermondsey Pub Company employees. At times determined by the Company, employees were able to allocate the lower of £1,800 or 10% of pre-tax salary to purchase shares out of their salary. The Board held the discretion to award matching shares. The shares were held in trust on behalf of the employee. If shares were removed from trust within three years, any allocation of matching shares may have been lost. Shares could then be transferred tax-free to employees after a period of five years. Matching shares were awarded every year from 2005 to 2020.

The cost of the matching shares is being spread over the three year vesting period of the scheme.

Details of the number of matching shares held in trust are as follows:

	52 weeks ended 26 September 2021 Number of shares	52 weeks ended 27 September 2020 Number of shares
Outstanding at beginning of period	-	296,440
Granted	-	249,842
Vested	-	(545,287)
Forfeited	-	(995)
Outstanding at end of year	-	-
Weighted average remaining contractual life	-	-

In the prior period, all shares owned by employees through the SIP including their matching shares were included in the Scheme of Arrangement and part of the entire share capital purchased by Leased and Tenanted Pubs 1 Limited (previously known as Stonegate Pub Company Bidco Limited). There were therefore no matching shares remaining in the trust at 27 September 2020.

Employee Share option scheme

In the prior period, the ESOS was open to all employees. Share options were awarded to employees at the discretion of the Board. Options normally vested after three years if an employee remained in service and if EPS targets were met. No options have been granted since 2011. Options could only normally be exercised during the period of seven years commencing on the third anniversary of the date of grant of the option. Options would usually be settled using ordinary shares held by the Employee Benefit Trust.

All remaining share options were exercised or forfeited during the period to 27 September 2020 and no further options have been granted in the current year.

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27. SHARE BASED PAYMENTS (CONTINUED)

Employee Share option scheme (continued)

	52 weeks ended 26 September 2021		52 weeks ended 27 September 2020	
	Number of shares	Weighted average exercise price £	Number of share options	Weighted average exercise price £
Outstanding at beginning of period	-	-	69,775	0.37
Exercised	-	-	(13,325)	0.37
Forfeited	-	-	(56,450)	0.37
Outstanding at end of year	-	-	-	-
Weighted average remaining contractual life	-	-	-	-

SAYE scheme

In the prior period, the SAYE scheme was open to executive directors and employees at the discretion of the Board. Participants contracted to save a fixed amount each month with a savings institution for a period of five years. At the end of the savings term, participants were given the option to purchase shares at a price set before the savings began. The option price was not less than 80% of the market value of a share on the date that participants were invited to take part in the scheme, or the nominal value of a share, if higher. Options were settled using ordinary shares held by the Employee Benefit Trust and were exercisable for six months after the fifth anniversary of the commencement of the savings contract.

For those SAYE schemes that did not reach the end of their vesting period the trustee made them part of the Scheme of Arrangement, new shares were issued to satisfy the options, the options were exercised and formed part of the entire share capital purchased by Leased and Tenanted Pubs 1 Limited (previously known as Stonegate Pub Company Bidco Limited) in the prior period. All remaining SAYE share options were exercised or forfeited during the period to 27 September 2020 and no further options have been granted in the current year.

	52 weeks ended 26 September 2021		52 weeks ended 27 September 2020	
	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £
Outstanding at beginning of period	-	-	2,591,012	0.96
Granted	-	-	-	0.00
Exercised	-	-	(1,804,736)	0.90
Forfeited	-	-	(786,276)	1.10
Outstanding at end of year	-	-	-	-
Weighted average remaining contractual life	-	-	-	-

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27. SHARE BASED PAYMENTS (CONTINUED)

Deferred share award and LTIP

In the current year, there were no Deferred Share Award and LTIP plans.

In the prior period, executive directors and other members of the senior management team were eligible to participate in a Deferred Share Award and an LTIP plan. Shares awarded vested between one and three years from fulfilment of performance targets.

Details of the total number of share options outstanding are as follows:

	52 weeks ended 26 September 2021		52 weeks ended 27 September 2020	
	LTIP	Deferred Share Award	LTIP	Deferred Share Award
	Number of share options	Number of share options	Number of share options	Number of share options
Outstanding at beginning of period	-	-	4,293,516	2,999,081
Exercised	-	-	(3,945,534)	(2,818,068)
Lapsed	-	-	(347,982)	-
Forfeited	-	-	-	(181,013)
Outstanding at end of year	-	-	-	-
Weighted average remaining contractual life	-	-	-	-

In the prior period, Directors and other members of the management team who were eligible to participate in the Deferred Share Award paid £1 to exercise awards granted under the Deferred Share Award and the LTIP. This was a one-off charge.

Prior to the acquisition in the prior period, all LTIP schemes that had not yet vested were evaluated and the performance measured against the criteria within the original scheme.

In the prior period, all shares awarded under the Deferred Share Award and the LTIP that were not yet exercisable became exercisable and were included in the Scheme of Arrangement, the options were exercised and formed part of the entire share capital purchased by Leased and Tenanted Pubs 1 Limited (previously known as Stonegate Pub Company Bidco Limited).

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27. SHARE BASED PAYMENTS (CONTINUED)

RSP

In the prior period, shares granted under the RSP vested in three equal tranches after three, four and five years, although all vested shares were to be held to the end of year five. Vested shares were exercisable until the tenth anniversary of the grant. There are no performance criteria associated with the award but there were performance underpins that were required to be met before vesting could be confirmed for each of the periods.

Details of the number of share options outstanding are as follows:

	52 weeks ended 26 September 2021 Number of shares	52 weeks ended 27 September 2020 Number of shares
Outstanding at beginning of period	-	400,478
Exercised	-	(400,478)
Outstanding at end of year	-	-
Weighted average remaining contractual life	-	-

In the prior year, the share options granted under the RSP were nil-cost options. All shares awarded under the RSP that were not yet exercisable became exercisable and were included in the Scheme of Arrangement, the options were exercised and formed part of the entire share capital purchased by Leased and Tenanted Pubs 1 Limited (previously known as Stonegate Pub Company Bidco Limited).

The weighted average share price on exercise of shares and share options under all schemes during the prior period was £2.84.

Fair value of share schemes

In prior periods, the fair value of equity-settled share options and share awards granted were estimated at the date of grant using share option valuation models. The SAYE and Deferred Share Award schemes were valued using the Black-Scholes model. The element of the LTIP scheme that relates to non-market conditions was valued using the Black-Scholes model. The element of the LTIP that includes market conditions was valued using the Monte-Carlo Simulation Model.

The Deferred Share Award for the executive directors vested in four years, the Deferred Share Award for the executive management vested in two equal tranches after two and three years and the Deferred Share Award for the other members of the senior team vested after four years.

The RSP vested in three equal tranches after three, four and five years although must continue to be held until the end of the fifth year and was then exercisable for a further period.

28. RESERVES

Share premium account

This reserve represents the amount of proceeds received for shares in excess of their nominal value of 2.5 pence per share.

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28. RESERVES (CONTINUED)

Revaluation reserve

This reserve shows the surplus generated on revaluation of the estate. It represents the amount by which the fair value of the estate exceeds its historic cost net of related tax.

Capital redemption reserve

This reserve arose on the repurchase and cancellation of own shares in 1995/96, 2005/06, 2006/07, 2007/08, 2015/16, 2016/17, 2017/18 and 2018/19.

Merger reserve

This reserve arose as a consequence of the acquisition of Century Inns plc in 1998/99.

Treasury share reserve

This reserve shows the cost of own shares purchased by the Company and held as treasury shares. These shares can be cancelled or re-issued.

Other reserve

This comprises the cost of shares in the Company that are held by the Employee Benefit Trust and the increase in fair value of subsidiaries recorded at fair value under IAS 27 and the dividends received from Enterprise Pubs Five Limited that cannot be distributed outside the Group.

In the 52 weeks ended 26 September 2021 £nil (52 weeks ended 27 September 2020: £12 million) has been reclassified from other reserves to the profit and loss account following an impairment to the carrying value of investments.

29. CAPITAL COMMITMENTS

	26 September 2021 £m	27 September 2020 £m
At the period end	2	1

30. LEASES

Impacts for the period

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

	52 weeks ended 26 September 2021 £m	52 weeks ended 27 September 2020 £m
Leases under IFRS 16		
Interest expense on lease liabilities	15	16
Depreciation of right of use assets	7	7
	22	23

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30. LEASES (CONTINUED)

For further information on the carrying amount of additions by underlying class, additions during the period and net book value at 26 September 2021 please see notes 15, 16 and 18.

The Company as a lessor

The Company lease its licensed estate and other non-licensed properties to tenants. The majority of lease agreements have terms of between one and 30 years and are classified for accounting purposes as operating leases. Most of the leases with terms of over three years include RPI or CPI based rent adjustments and provision for rent reviews on either a three or five year basis. In the prior year, a small number were reclassified as finance leases on adoption of IFRS 16 with reference to the headlease.

The maturity analysis of the undiscounted lease payments to be received for finance leases is as follows:

	26 September 2021 £m	27 September 2020 £m
Within one year	2	1
After one year but not more than five years	8	8
In more than five years	22	26
	32	35
Future finance cost	(14)	(16)
	18	19
Recognised as:		
Non-current financial asset	17	18
Current financial asset	1	1
Total undiscounted lease receivable	18	19

The following table sets out a maturity analysis of lease payments receivable, showing the undiscounted lease payments to be received after the reporting date.

	26 September 2021 £m	27 September 2020 £m
Within one year	71	53
After one year but not more than five years	173	133
In more than five years	117	148
	361	334

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31. RELATED PARTY TRANSACTIONS

Subsidiaries

The Company's subsidiaries as at the period end are as follows:

	Country of incorporation	Holding	Proportion of voting rights and shares held	Nature of business
Directly held by Ei Group Limited:				
Enterprise Managed Investments Limited	England	Ordinary shares	100%	Investment holding company
Enterprise Inns Holding Company Limited	England	Ordinary shares	100%	Dormant
Unique Pubs Limited	England	Ordinary shares	100%	Investment holding company
Ei Publican Services Limited	England	Ordinary shares	100%	Intermediate supply company
Century Inns Limited	England	Ordinary shares	100%	Dormant
Gibbs Mew Limited	England	Ordinary shares	100%	Dormant
Enterprise Inns Limited	England	Ordinary shares	100%	Dormant
Indirectly held by Ei Group Limited:				
Unique Pub Properties Limited	England	Ordinary shares	100%	Ownership of licensed properties
Bermondsey Pub Company Limited	England	Ordinary shares	100%	Management of public houses
Bestplace (Beta) Limited	England	Ordinary shares	75%	Management of public houses
Bestplace Limited	England	Ordinary shares	51%	Management of public houses
Dirty Liquor Limited	England	Ordinary shares	75%	Management of public houses
Frontier Pubs Limited	England	Ordinary shares	75%	Management of public houses
Hippo Inns Limited	England	Ordinary shares	75%	Management of public houses
Hush Heath Inns Limited	England	Ordinary shares	51%	Management of public houses
Mash Inns Limited	England	Ordinary shares	51%	Management of public houses
Urban Pubs & Bars 2 Limited	England	Ordinary shares	51%	Management of public houses
Old Spot Pub Company Limited	England	Ordinary shares	75%	Management of public houses
Six Cheers Limited	England	Ordinary shares	51%	Management of public houses
The Craft Union Pub Company Limited	England	Ordinary shares	100%	Management of public houses
Vixen Pub Company Limited	England	Ordinary shares	100%	Management of public houses
The Unique Pub Finance Company PLC	England	Ordinary shares	100%	Financing company
		Cumulative preference shares	100%	
Social Cellar Limited	England	Ordinary shares	100%	Dormant
Social Cellar (Gamma) Limited	England	Ordinary shares	100%	Dormant
Dirty Liquor Alpha Limited	England	Ordinary shares	51%	Non-trading
Imagegold Limited	England	Ordinary shares	100%	Non-trading
Unique Pub Investments Limited	England	Ordinary shares	100%	Investment holding company
Voyager Pub Group Holdings Limited	England	Ordinary shares	100%	Investment holding company
Voyager Pub Group Limited	England	Ordinary shares	100%	Investment holding company
Bede Holding Company Limited	England	Ordinary shares	100%	Dormant
Unique Pub Properties Alpha Limited	England	Ordinary shares	100%	Dormant
Unique Pub Properties Beta Limited	England	Ordinary shares	100%	Dormant
Unique Pub Properties Gamma Limited	England	Ordinary shares	100%	Dormant
Unique Pub Properties Theta Limited	England	Ordinary shares	100%	Dormant
West Midlands Taverns (Holdings) Limited	England	Ordinary shares	100%	Dormant

The registered office of the Company's subsidiary undertakings is 3 Monkspath Hall Road, Solihull, B90 4SJ.

Within the period, Bermondsey Pub Company Limited ceased trading following the transfer of the pubs to other Group companies. Following the period end, the Group acquired the remaining 25% of the shares in Hippo Inns Limited, and therefore as a result, the company is now a 100% indirectly owned subsidiary of Ei Group Limited.

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31. RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions with subsidiary undertakings

The Company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow wholly owned group companies. The disclosures below show the value of transactions entered into with non wholly owned subsidiaries.

In respect of subsidiaries that are not wholly owned during the 52 weeks ended 26 September 2021 the Company entered into trading transactions which included revenue of £5 million (52 weeks ended 27 September 2020: £7 million) in relation to rent, drink products and various other recharges including insurance.

During the 52 weeks the Company also sold property, plant and equipment at book value for consideration of £1 million (2020: £3 million) to subsidiary undertakings that were not wholly owned. These were funded through capital expenditure loans which sit within loans due from group undertakings. The Company made capital expenditure loan payments of £nil (2020: £1 million). The Company received capital expenditure loan repayments from subsidiary undertakings that were not wholly owned of £nil (2020: £1 million).

During the period the Company has been charged tax group relief surrendered of £nil (52 weeks ended 27 September 2020: £2 million). This has been recharged on to other companies which are wholly owned within the Group.

The following group balances were outstanding at the period end. These balances include wholly owned group companies.

	26 September 2021	27 September 2020
	£m	£m
Amounts due from group undertakings	692	690
Amounts due to group undertakings	(77)	(72)
	615	618
Loans due from group undertakings	25	27
Loans due to group undertakings	(1,309)	(1,278)
	(1,284)	(1,251)

32. PARENT UNDERTAKING AND CONTROLLING PARTY

The Company's immediate parent undertaking is Leased and Tenanted Pubs 1 Limited (previously known as Stonegate Pub Company Bidco Limited), a company incorporated in the United Kingdom and registered in England and Wales. The Company's ultimate parent undertaking is Stonegate Pub Company Topco Sarl, a company incorporated in Luxembourg.

The top UK company which the Company is consolidated into is Stonegate Pub Company PIKCO Holdings Limited. The ultimate controlling parties are various investment funds managed by TDR Capital LLP, a private equity management firm. The business address of TDR Capital LLP is 20 Bentinck Street, London, W1U 2EU.

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33. POST BALANCE SHEET EVENTS

Subsequent to the period end, on 26 November 2021, the Company's 45 million treasury shares with a nominal value of £1 million were cancelled.

Furthermore, following the period end, on 10 January 2022, Enterprise Managed Investments Limited acquired the remaining 25% of shares in Hippo Inns Limited, and therefore as a result, the company is now a 100% indirectly owned subsidiary of Ei Group Limited.