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Stonegate Pub Company Midco Limited

Directors' Report and Financial Statements

For the 52 weeks ended 24 September 2017

Registered number: FC031243



Stonegate Pub Company Midco Limited

Registered No: FC031243

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Company information

Directors

Manjit Dale
Brian Magnus

Secretary

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Registered office

Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Strategic report

Principal activities

The principal activity of the Company is that of a holding company.

Business review

The results for the Company for the 52 weeks ended 24 September 2017 are shown in the profit and loss account on page 5.

The Company delivered a profit before tax of £93,947,000 (2016: £65,000). The financial position of the Company is set out in the balance sheet on page 6 which shows net assets of £230,067,000 (2016: £189,741,000).

Principal risks and uncertainties

Details of the financial risk management objectives and policies are set out in note 7.

Going Concern

The financial statements have been prepared on the going concern basis. The statement headed "Going Concern" on page 8 sets out certain factors to the Directors' consideration in reaching this assessment.

Ownership

The immediate controlling party is Stonegate Pub Company Holdings Limited. The ultimate controlling parties are various investment funds managed by TDR Capital LLP, a private equity management firm. TDR Capital LLP takes an active role in the operations of the Company, working in partnership with management to harness opportunities together through board representation and professional support.

Approval

The Directors Strategic report was approved by the Board on 5/3/18 and signed on its behalf by:



Director

Directors' report

The Directors present their report and audited financial statements for the 52 weeks to 24 September 2017.

Principal activities

The principal activity of the Company is that of a holding company.

Business review

The results of the Company for the period ended 24 September 2017 are shown in the profit and loss account on page 5. At 24 September 2017, the balance sheet of the Company has net assets of £230,067,000 (2016: £189,741,000).

Dividends

A dividend of £53,621,000 was paid during the period (2016: £Nil).

Directors

The Directors who held office during the period and since the period end were as follows:

Manjit Dale

Marino Gudmundsson – Resigned 27 January 2017

Brian Magnus

Political contributions

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

Principal risks and uncertainties

Details of the financial risk management objectives and policies are set out in note 7.

Going Concern

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Ownership

The immediate controlling party is Stonegate Pub Company Holdings Limited. The ultimate controlling parties are various investment funds managed by TDR Capital LLP, a private equity management firm. TDR Capital LLP takes an active role in the operations of the Company, working in partnership with management to harness opportunities together through board representation and professional support.

By order of the board


Director

Date: 5/3/18

Cricket Square
Grand Cayman
Cayman Islands
KY1 1111

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

The directors are responsible for preparing the strategic report and the directors' report and the non-statutory financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare the non-statutory financial statements for each financial year. Under that law the directors have prepared the non-statutory financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102).

Under Company law the directors must not approve the non-statutory 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 non-statutory financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- made judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the non-statutory financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of the non-statutory financial statements; and
- prepare the non-statutory accounts on the going concern unless it is inappropriate to presume that the company will continue in business.

The directors 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.

Profit and loss account

For the 52 weeks ended 24 September 2017

		52 weeks ended 24 September 2017 £000	52 weeks ended 25 September 2016 £000
	<i>Notes</i>		
Operating profit		-	-
Profit on ordinary activities before interest and taxation		-	-
Interest receivable	2	76	65
Income from investments	3	93,871	-
Profit on ordinary activities before taxation		93,947	65
Tax charge on profit on ordinary activities	4	-	-
Profit for the financial period	9	93,947	65

All activities derive from continuing operations.

There were no recognised gains or losses during the current or preceding period apart from the profit for the financial period shown above.

The notes on pages 8 to 14 form part of these financial statements.

Balance sheet

As at 24 September 2017

	Notes	24 September 2017 £000	25 September 2016 £000
Fixed assets			
Investments	5	226,250	186,000
		226,250	186,000
Current assets			
Debtors: amounts falling due within one year	6	3,817	3,741
Cash at bank and in hand		-	-
		3,818	3,741
Creditors: amounts falling due within one year		-	-
Net current assets		3,818	3,741
Total assets less current liabilities		230,067	189,741
Creditors: amounts falling due after more one year		-	-
Net assets		230,067	189,741
Capital and reserves			
Called up share capital	8	1,527	1,527
Share premium account	9	134,172	187,793
Profit and loss account	9	94,368	421
Shareholders' funds	10	230,067	189,741

The notes on pages 8 to 14 form part of these financial statements.

These financial statements were approved by the board of directors on 5/3/18 and were signed on its behalf by:



Director

Company No: FC031243

Statement of changes in equity

For the 52 weeks ended 24 September 2017

	Share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
Total equity at 27 September 2015	1,527	187,793	356	189,676
Total comprehensive gains				
Profit for the period	-	-	65	65
Total comprehensive gains for the period	-	-	65	65
Total equity at 25 September 2016	1,527	187,793	421	189,741
Total comprehensive gains				
Profit for the period	-	-	93,947	93,947
Share issue	194	40,056	-	40,250
Share re-purchase	(194)	(40,056)	-	(40,250)
Dividend paid	-	(53,621)	-	(53,621)
Total comprehensive (losses)/gains for the period	-	(53,621)	93,947	40,326
Total equity at 24 September 2017	1,527	134,172	94,368	230,067

Notes to the financial statements

For the 52 weeks ended 24 September 2017

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

Basis of preparation

Stonegate Pub Company Midco Limited is governed by Cayman Island Company law.

The financial statements have been prepared in accordance with Companies law (2013 Revision) of the Cayman Islands. As the Cayman Islands do not have prescribed accounting standards, the Company has elected to prepare these financial statements in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statement have been rounded to the nearest £1,000.

There is no statutory requirement for accounts to be prepared however these accounts are being prepared for the purpose of filing accounts of the UK Branch of this overseas Company and formally setting out the financial performance and position of the Company.

No consolidated group information is presented in these financial statements, Companies Law (2013 Revision) in the Cayman Islands does not require such information to be presented.

As there is no statutory requirement for the audit of 'unregulated entities' in the Cayman Islands, these financial statements have not been subject to a statutory audit.

A cash flow statement has not been prepared on the basis that the Company does not have a bank account.

There are no significant estimates and judgements made by the directors that have a significant effect on the financial statements.

1.1 Measurement convention

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

1.2 Going Concern

The Company's principal activities, together with the principal risks and uncertainties factors likely to affect its future development, performance and position are set out in the Strategic and Directors' Reports on pages 2 to 3. The financial position of the company is set out in the Balance Sheet on page 6 which shows net assets of £230,067,000 (2016: £189,741,000). In addition, note 7 to the financial statements include key exposures to credit risk and liquidity risk.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1.3 Investments

In the Company's financial statements investments in subsidiary undertakings, associates and joint ventures are stated at cost less amounts written off.

Notes to the financial statements (*continued*)

For the 52 weeks ended 24 September 2017

1 Accounting policies (*continued*)

1.4 Financial instruments

The company has chosen to adopt Sections 11 and 12 of FRS102 in respect of financial instruments.

Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances, loans from fellow Group companies, are initially recognised at transaction price. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment.

Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow Group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

1.5 Taxation

Current taxation

Current taxation is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted at the balance sheet date.

Deferred taxation

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

2. Interest receivable and similar income

	52 weeks ended 24 September 2017 £000	52 weeks ended 25 September 2016 £000
Interest receivable on related party loans	76	65

Notes to the financial statements (continued)

For the 52 weeks ended 24 September 2017

3. Income from investments

	52 weeks ended 24 September 2017 £000	52 weeks ended 25 September 2016 £000
Dividend income	93,871	-

4. Taxation

	52 weeks ended 24 September 2017 £000	52 weeks ended 25 September 2016 £000
Tax charged in the profit and loss account		
UK Corporation tax		
- Current tax on income for the period	-	-
Total current tax charge	-	-
Deferred tax:		
- Origination and reversal of timing differences	-	-
- Adjustments in respect of previous years	-	-
- Change in tax rate	-	-
Total deferred tax charge	-	-
Total tax charged in the profit and loss account	-	-

The current tax charge for the period is lower (2016: lower) than the standard rate of corporation tax in the UK of 19.5% (2016: 20%). The differences are explained below:

	52 weeks ended 24 September 2017 £000	52 weeks ended 25 September 2016 £000
Profit on ordinary activities before tax	93,947	65
Current tax at 19.5% (2016: 20%)	18,320	13
<i>Effects of:</i>		
Non-taxable income	(18,305)	-
Group relief not paid for	(15)	(13)
Total current tax charge	-	-

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

Notes to the financial statements (*continued*)

For the 52 weeks ended 24 September 2017

5. Investments

	Shares in group undertakings £000
<i>Cost and net book value:</i>	
As at 25 September 2016	186,000
Increase in investment	40,250
As at 24 September 2017	226,250

At period end the Company has the following principal subsidiary undertakings:

	Country of incorporation	Class of shares held	Proportion held	Nature of business
Stonegate Pub Company Limited	Cayman Islands	Ordinary	100%	Operation of licenced bars and Holding Company
Stonegate Pub Company Financing plc*	England and Wales	Ordinary	100%	Financing
Plato Company 3 Limited*	Cayman Islands	Ordinary	100%	Holding Company
FTK Propco Limited*	England and Wales	Ordinary	100%	Property company
DW Propco Limited*	England and Wales	Ordinary	100%	Property company
BH Propco Limited*	England and Wales	Ordinary	100%	Property company
Hull Propco Limited*	England and Wales	Ordinary	100%	Property company
SJT Propco Limited*	England and Wales	Ordinary	100%	Property company
AD Propco Limited*	England and Wales	Ordinary	100%	Property company
Large Bars Limited*	England and Wales	Ordinary	100%	Operation of licensed bars
Falcon Propco 1 Limited*	England and Wales	Ordinary	100%	Property company
Town and City Pub Group Limited*	England and Wales	Ordinary	100%	Operation of licensed bars and holding company
Barley Pub Company Limited*	England and Wales	Ordinary	100%	Operation of licensed bars
Hops Pub Company Limited*	England and Wales	Ordinary	100%	Operation of licensed bars
Plato Restaurant Holdings Limited*	Cayman Islands	Ordinary	100%	Holding Company
Bay Restaurant Holdings Limited*	Cayman Islands	Ordinary	100%	Holding Company
Bay Restaurant Group Limited*	England and Wales	Ordinary	100%	Holding company
Slug and Lettuce Company Limited*	England and Wales	Ordinary	100%	Operation of licensed bars
Intertain Limited*	England and Wales	Ordinary	100%	Holding company
Intertain (Bars) Limited*	England and Wales	Ordinary	100%	Operation of licensed bars
Intertain (Bars) II Limited*	England and Wales	Ordinary	100%	Operation of licensed bars
Intertain (Bars) III Limited*	England and Wales	Ordinary	100%	Operation of licensed bars
Intertain (Bars) IV Limited*	England and Wales	Ordinary	100%	Operation of licensed bars
Bar Holdings Limited	England and Wales	Ordinary	100%	Operation of licensed bars
Sports Bar And Grill (Canary Wharf) Limited*	England and Wales	Ordinary	100%	Operation of licensed bars
Sports Bar And Grill Farringdon Limited*	England and Wales	Ordinary	100%	Operation of licensed bars

Notes to the financial statements *(continued)*

For the 52 weeks ended 24 September 2017

5. Investments *(continued)*

Sports Bar And Grill St Katherine Dock Limited*	England and Wales	Ordinary	100%	Operation of licensed bars
Sports Bar And Grill Victoria Limited*	England and Wales	Ordinary	100%	Operation of licensed bars
Sports Bar And Grill Waterloo Limited*	England and Wales	Ordinary	100%	Operation of licensed bars
Sports Bar And Grill (Piccadilly Circus) Limited*	England and Wales	Ordinary	100%	Operation of licensed bars
Sports Grill to Go Limited*	England and Wales	Ordinary	100%	Operation of licensed bars
Yates Group Pension Trustees Limited*	England and Wales	Ordinary	100%	Dormant
Laurel Pension Trustee Company Limited*	England and Wales	Ordinary	100%	Dormant

* Held indirectly

6. Debtors

	24 September 2017 £000	25 September 2016 £000
<i>Amounts due within one year:</i>		
Amounts due from group undertakings	3,817	3,741

Included in amounts due from group undertakings is £1,447,000 (2016: £1,788,000) of loans to key management personnel, charging an annual interest rate of 5%. The remaining amounts due from group undertakings are non-interest bearing. See note 11 for further explanation of these transactions.

7. Financial instruments

The Company has the following financial instruments:

	24 September 2017 £000	25 September 2016 £000
<i>Financial assets that are debt instruments measured at amortised cost:</i>		
- Amounts due from group undertakings	3,817	3,741

The board of directors regularly reviews the financial requirements of the Company and the risks associated therewith. The main risks arising from the financial instruments of the Company are as follows:

Liquidity risk

The Company seeks to manage financial risk to ensure sufficient liquidity is available to meet foreseeable needs. Surplus funds are placed on deposit and are available at short notice.

Currency risk

The majority of the revenues and costs of the Company are in sterling and involve no currency risk. The Company reviews its currency exposure on a continual basis and will enter into hedges if considered necessary.

Credit risk

The principal financial assets of the Company are intercompany borrowings. The credit risk associated with these is limited.

Notes to the financial statements (*continued*)

For the 52 weeks ended 24 September 2017

8. Called up share capital

	24 September 2017 £000	25 September 2016 £000
<i>Called up, allotted and fully paid</i>		
150,000,000 ordinary "A" shares of £0.01 each	1,500	1,500
2,656,000 ordinary "B" shares of £0.01 each	27	27
	<u>1,527</u>	<u>1,527</u>

9. Reserves

	Share premium £000	Profit and loss account £000
At 25 September 2016	187,793	421
Profit for the period	-	93,947
Share issue	40,056	-
Share re-purchase	(40,056)	-
Dividend paid	(53,621)	-
At 24 September 2017	<u>134,172</u>	<u>94,368</u>

On 5 December 2016 the Company issued 19,378,911 A ordinary shares of £0.01 at an aggregate price of £40,250,000. Proceeds of the share issue were used to increase the Company's investment in its immediate subsidiary, Stonegate Pub Company Limited. On 5 May 2017 the Company received dividend income from its investment of £93,871,000; re-purchased 19,378,911 A ordinary shares of £0.01 from its immediate parent company for £40,250,000 and paid a dividend of £53,621,000.

10. Reconciliation of movements in shareholders' funds

	24 September 2017 £000	25 September 2016 £000
Profit for the financial period	93,947	65
Dividends paid	(53,621)	-
Increase in shareholders' funds in the period	<u>40,326</u>	<u>65</u>
Shareholders' funds at the start of the period	189,741	189,676
Shareholders' funds at the end of the period	<u>230,067</u>	<u>189,741</u>

Notes to the financial statements (*continued*)

For the 52 weeks ended 24 September 2017

11. Related party transactions

During a prior period an MEP scheme was created to enable key Group employees to purchase "B" ordinary shares in the Company. As a result the Company's subsidiary undertaking, Stonegate Pub Company Limited, made loans to senior management. During the year interest was charged of £76,000 (2016: £65,000). £417,000 was repaid during the period (2016: £234,000). The amount outstanding at 24 September 2017 and included in debtors was £1,447,000 (2016: £1,788,000). There is an amount of £2,694,000 (2016: £2,618,000) owing from Stonegate Pub Company Limited and £1,124,000 (2016: £1,124,000) owing from Stonegate Pub Company Holdings Limited, a parent undertaking, at 24 September 2017 relating to this transaction.

12. Ultimate parent undertaking

Stonegate Pub Company Holdings Limited, a company incorporated in the Cayman Islands owns 98.76% of the issued ordinary share capital. The ultimate controlling parties are various investment funds managed by TDR Capital LLP, a private equity management firm.