Stonegate Pub Company Limited

Directors' Report and Financial Statements

For the 53 weeks ended 30 September 2012

Registered number: FC029833

Contents

Company information

Directors
Max Herberstein
Manjit Dale
Philip Rowland
Marino Gudmundsson

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

Group directors' report

The directors present their report together with the non-statutory financial statements for the 53 weeks ended 30 September 2012. As further described in Note 1, these consolidated financial statements have been prepared solely for non-statutory purposes.

Principal activities

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

Business review

The results of the Group for the 53 weeks ended 30 September 2012 are shown in the consolidated profit and loss account on page 10.

With 543 pubs and over 10,000 employees, Stonegate Pub Company is the largest privately held managed pub operator in the UK and we strive to create a fantastic experience for our customers whilst creating growth in shareholder value. We achieve our vision through the five business pillars:

- Invest in our future;
- Deliver a fantastic experience for our customers;
- Focusing the business on growth every day;
- Proud of our people and their development;
- Keep our customers, employees and shareholders safe and legal.

Our second year of trading has been very strong with total sales growth of 83%, and underlying like for like sales growth of 1.8%. There remained significant investment in the sites with capex spend of £11.5m, delivering return on investments for FY12 spend at over 35.1% for major investments.

Group Key Performance Indicators

The following are key performance indicators (KPIs) for the Stonegate group of companies at year end which the Board examines on a monthly basis:

	Period ended 30 September 2012	**Period ended 25 September 2011**
Financial KPIs – Group		
Drink Sales Growth (like for like)	2.9%	3.9%
Food Sales Growth (like for like)	2.6%	3.7%
Turnover Growth (like for like)	1.8%	3.0%
Return on Investment (ROI)	35.1%	44.9%

Group directors' report *(continued)*

Non-financial KPIs

As well as providing a fantastic experience to our customers Stonegate is also committed to a high standard of health and safety. Therefore the board also monitors mystery guest visits and their outcome on a regular basis as well as the number of complaints received and internal health and safety audit results. Sites are assessed on a regular basis on food safety, licensing, fire safety, external play area safety and hotel safety. For the period to 30 September 2012 the following information has been reported:

	30 September 2012	**25 September 2011**
	Number of sites	**Number of sites**
Visited in the period (2 per site per year)	1,066	150
Green (scoring over 90%)	578	32
Amber (scoring 80 - 90%)	391	89
Red (scoring 50 - 80%)	72	27
Black (scoring under 50%)	35	2

For the next financial year a system of balanced scorecards has been introduced measuring each site monthly based on financial and non-financial KPIs such as profits, sales growth, staff training percentage, health & safety audit results and mystery guest visit scores.

Corporate Social Responsibility

Responsible Service

Stonegate Pub Company Limited believes that social responsibility and commercial responsibility are inextricably linked. It is important, therefore, that we work with the Government, and in particular Enforcement Bodies such as the Police and Local Authorities, to actively support and promote responsible drinking. In order to achieve this, Stonegate Pub Company is committed to the following standards:

- Not offering "all you can drink" promotions;
- Not offering liquor-only multi buy deals;
- Not pricing any alcoholic drinks below £1.00.

All pub managers will be encouraged to attend Pub Watch meetings in their area and closely liaise with all authorities. We also ask for strict adherence to the nationally acknowledged "Challenge 21" scheme, seeking proof of age of anyone appearing to be 21 years or under.

Environmental factors

We are keen to make our contribution to the environment and have started several projects on environmental matters, as explained below.

Waste and recycling matters

Waste disposal and recycling is an important issue in the pub and food industry.

In August 2011 Stonegate Pub Company entered into an agreement with Agri Energy to collect used cooking oil from all relevant sites. Agri Energy offers a range of waste recycling and renewable energy solutions. Used cooking oil collected by us is refined into a range of products such as industrial oils or renewable fuels. In the 53 weeks ended 30 September 2012 we collected around 557 tonnes of used cooking oil saving over 1,033 tonnes of carbon. (7 month period to 25 September 2011: 65 tonnes of used cooking oil were collected saving over 121 tonnes of carbon.)

Group directors' report *(continued)*

We also continued with the segregation of waste collected from sites through Veolia which included the use of mixed recycling and glass only bins in the place of general waste bins. This has allowed Stonegate to significantly reduce the amount of waste that is sent to landfill.

Reducing energy consumption

During the year we have reviewed our menus and increased the number of vegetarian dishes which not only offers customers a great choice but also contributes to reducing the CO2 emissions. Food consumption contributes considerable amounts to the total global greenhouse gas emissions. The main part of the environmental impact arises from the agricultural production of meat. A vegetarian diet is therefore seen as an instrument to reduce the environmental impact and greenhouse gas emissions from food consumption.

In the period to 30 September 2012, we have started to install smart meters in most of the outlets and expect to roll this out for the whole estate by Spring 2013.

Social and community issues

Charitable activities

Our local pubs are at the heart of the communities and as part of our service we like to contribute to these communities. During the period to 30 September 2012 our pubs have raised £206,000 (25 September 2011: £101,000) for several local and national charities including Great Ormond Street and Help for Heroes. Other charities supported include Cancer Teenage kids and the British Heart Foundation.

Not only are our pubs involved in charity work. Our head office in Luton demonstrated outstanding charitable giving this year and continued a close relationship with the local Children's Hospital, Keech Cottage Hospice.

As a principle, all of our supplier gifts received are sold on a regular basis and all proceeds are given to charity.

Supporting our students

Nationwide, Stonegate gave over £19,000 (25 September 2011: £5,000) sponsorship to student unions and student sports clubs.

Throughout the period we also supported local football teams, netball teams, tennis and rugby teams all across the UK.

Principal risks and uncertainties

Industry specific

The industry is under constant cost pressures from legislation, utility costs, business rates and leasehold rents and this leads to an on-going risk to our business. However, supplier contracts to mitigate against significant increases in food and drink and cost control processes are in place to minimise the impact in other areas. These inflation driven factors reinforce our already strong emphasis on margins and cost control.

Risks to the Group's day to day trading include deterioration in consumer spending prompted by the downturn in the economy together with shifts in consumer spending patterns. The industry is witnessing a general trend of growth in the dining market at the same time as an underlying decline for drink sales. Market trends are currently focused on opportunities within the expanding dining out market as well as offering a broad range of products which appeals to all demographics. The Group has ensured that segment strategy teams involving marketers, operators and finance meet regularly to ensure the segments respond to any changes in customer behaviours.

Group directors' report *(continued)*

Company specific

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

Reliance is placed on key suppliers to ensure continuous supply of both food and drink. The Group is exposed to the risk of failure by these suppliers to deliver to the required time scales or standards. A disaster recovery and business continuity plan is established to mitigate such risks.

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

The Group has two defined benefit schemes, closed to new members. The value is subject to risk of changes in life expectancy, actual and expected inflation and changes in bond yields. The difference in value between scheme assets and liabilities may vary resulting in an increased deficit being recognised on our balance sheet.

Details of the financial risk management objectives and policies are set out in note 20.

Dividends

On 30 November 2012 the directors paid a dividend of £10 million (58 weeks ended 25 September 2011: £Nil).

Ownership

The immediate controlling party is Stonegate Pub Company Holdings Ltd. The ultimate controlling party is Stonegate Pub Company Holding Sarl, a company that is owned by the Private Equity investment funds managed by TDR Capital LLP. TDR Capital LLP take an active role in the operations of The Group, working in partnership with management to solve problems together through board representation and professional support. TDR Capital LLP believe that understanding the operational and financial aspects of the business allows the effective management of risk and generate extra value.

Board of Directors

The directors, who held office during the period, and since the end of the period, were as follows:

Manjit Dale
Blair J Thompson (resigned 2 August 2012)
Philip Rowland
Max Herberstein
Marino Gudmundsson

Manjit Dale (Founding Partner of TDR Capital LLP)

Prior to founding TDR 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.

Blair J Thompson (Partner at TDR Capital LLP)

Before joining TDR in 2006, Blair was a Partner at SJ Berwin LLP. He qualified as a lawyer in New Zealand in 1995 and worked as a corporate lawyer for three years with Buddle Findlay before joining SJ Berwin. He has a Bachelor of Law and a Bachelor of Commerce (Hons) from the University of Canterbury, New Zealand.

Group directors' report *(continued)*

Max Herberstein (Investment Professional at TDR Capital LLP)

Prior to joining TDR in 2007, Max spent four years at Hicks, Muse, Tate & Furst (and successor firms) in London. Previously he was employed by Morgan Stanley's investment banking division in London. Max graduated from the Wharton School at the University of Pennsylvania.

Philip Rowland (Senior Operating Partner at TDR Capital LLP)

Philip joined TDR in 2005. He is a Senior Operating Partner and is responsible for running the TDR Operating team. Prior to joining, Philip was a Partner at McKinsey and worked at Ford Motor Company. He has an MBA from Cranfield School of Management and a Degree in Management Science from Stirling University.

Marino Gudmundsson

Marino is part of the Asset Management Team Europe at Kaupthing bank h.f.

Senior Management Team

The Senior Management team at year end consisted of Ian Payne (Chairman), Toby Coultas Smith (Chief Executive Officer), Suzanne Baker (Commercial Director), Dave Ross (Chief Financial Officer), Graham Jones (Chief Operating Officer), Richard Bruce (Marketing Director) and Tim Painter (HR Director).

Ian Payne

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

Toby Coultas Smith

Toby Smith is Chief Executive of the Stonegate Pub Company. Toby has spent his career within the licensed industry. He joined Scottish & Newcastle Retail in 1992 as a stocktaker, progressing though to Operations Director. Following the sale of the business to Spirit, Toby took charge of the Value High Street business in addition to the development company of Gastro pubs & Bars. He joined Laurel in 2006 as Managing Director of the Pubs & Bars business, a position held until the break-up of Laurel in 2008 when Toby was then appointed as Chief Executive of Town & City Pub Company. He was appointed Chief Executive of Stonegate Pub Company following the merger in June 2011.

Suzanne Baker

Suzanne Baker is the Commercial Director of Stonegate Pub Company, responsible for all commercial contracts including purchasing and property. Suzanne has spent her career within the licensed leisure sector having previously held Board positions in Town & City Pub Company, Bay Restaurant Group, Laurel Pub Company and JD Wetherspoon. She commenced her career joining Grandmet Retail in operations, progressing within the marketing and purchasing roles across national brands, including Chef & Brewer.

Dave Ross

Dave Ross is Chief Finance Officer of the Stonegate Pub Company. Dave qualified with PriceWaterhouseCoopers in 1999 before joining Boots as a senior internal audit manager. After holding various senior roles in Boots, Dave joined the Spirit Group in 2004 as Head of Finance for Investments and the development company of 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 Dave was appointed Head of Finance of Bay Restaurant Group and Town & City Pub Company. He was appointed Chief Finance Officer of Stonegate Pub Company in January 2012.

Group directors' report *(continued)*

Graham Jones

Graham Jones is Chief Operating officer of Stonegate Pub Company Limited. Graham has a wealth of experience in the pub trade spanning over 30 years Before taking up a career in managed pubs in 1984, Graham was a laboratory assistant looking after analysis, tasting, dispensing and delivery. He has held senior management positions in Whitbread, Laurel, Greene King, Barracuda and Spirit before joining Stonegate in March 2011.

Richard Bruce

Richard Bruce is the Marketing Director of Stonegate Pub Company Limited, responsible for the Customer Proposition and Offer. Richard spent 20 years within the Retail sector working in Commercial and Marketing roles. Initially trained at Marks and Spencer he moved to Home Retail Group, working at both Argos and Homebase before joining Stonegate in 2012.

Tim Painter

Tim Painter is HR Director of Stonegate Pub Company Limited, responsible for the recruitment, training and development of the Company's 10,000 employees. Tim started his career in food retail with HR roles at Asda and Safeway. He then moved to Thorn UK, where he progressed to be HR Director for a Division of the business. In 2003, Tim was appointed as HR Director for Travel Inn, part of Whitbread plc. During his tenure, Travel Inn acquired and integrated the Premier Lodge business to form Premier Travel Inn. In 2006, Tim returned to food retail as HR Director of Musgrave Retail Partners GB, which managed the franchised convenience brands Budgens and Londis. Tim was appointed HR Director for Stonegate Pub Company Limited in January 2012.

The senior management team remuneration is linked to agreed profit targets of the business.

Employee involvement

The Group places great importance on the involvement, development and well-being of its employees. They are kept informed of developments through regular meetings and the annual conference.

Stonegate operates a transparent career pathway through "Albert's Theory of Progression", based around the character of Albert Einstein. All our pub employees complete their induction through Albert's Holy Little Book and this covers the legal requirements. Employees are then encouraged to progress through Albert's Award, for team leaders; Albert's Accolade for Deputy Managers; Albert's Accelerator for aspiring Deputy Managers to become General Managers; and Albert's Aspirations for General Managers to further develop their skills to move into corporate roles. Success is celebrated at all levels.

A Masterclass is in the process of being developed for our General Manager population and we are designing a career pathway for our Pub Support (Head Office) team.

The Group gives full consideration to applications for employment from disabled persons where the requirement of the job can be adequately fulfilled by a disabled or handicapped person. Where existing employees become disabled, it is the Group'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.

By order of the Board

Name: Max Herberstein
Date: 22/03/2013

One Stanhope Gate
London
W1K 1AF

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

The directors of Stonegate Pub Company Limited ('the directors') have accepted responsibility for the preparation of these non-statutory accounts for the period ended 30 September 2012 which are intended by them to give a true and fair view of the state of affairs of the group and of the profit or loss for that period. They have decided to prepare the non-statutory accounts in accordance with UK Accounting Standards.

In preparing these non-statutory accounts, the directors have:

• selected suitable accounting policies and applied them consistently;

• made judgements and estimates that are reasonable and prudent;

• stated whether applicable UK Accounting Standards have been followed; subject to any material departures being disclosed and explained in the non-statutory accounts; and

• prepared the non-statutory accounts on the going concern basis as they believe that the Group 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 group and to prevent and detect fraud and other irregularities.

Consolidated profit and loss account

For the 53 weeks ended 30 September 2012

	Notes	53 weeks ended 30 September 2012 £000	58 weeks ended 25 September 2011 £000
Turnover	*1,2*	484,263	264,671
Cost of sales		(430,283)	(241,520)
Gross profit		53,980	23,151
Selling and distribution costs		(2,835)	(4,346)
Administrative expenses		(24,577)	(14,891)
Administrative expenses – exceptional operating items	*4*	(4,366)	(5,010)
Total administrative expenses		(28,943)	(19,901)
Operating profit/(loss)		22,202	(1,096)
Profit/(loss) on sale of fixed assets	*13*	922	(65)
Profit/(loss) on ordinary activities before interest and taxation	*3*	23,124	(1,161)
Interest receivable	*7*	281	83
Other finance income	*8*	88	29
Interest payable and similar charges	*9*	(8,920)	(23,398)
Profit/(loss) on ordinary activities before taxation		14,573	(24,447)
Tax charge on profit on ordinary activities	*10*	(1,228)	(95)
Profit/(loss) for the financial period	*22*	13,345	(24,542)

All activities derive from operations acquired during the period and are continuing.

The notes on pages 15 to 37 form part of these financial statements.

Consolidated statement of total recognised gains and losses

For the 53 weeks ended 30 September 2012

	Notes	53 weeks ended 30 September 2012 £000	58 weeks ended 25 September 2011 £000
Profit/(loss) for the financial period	*22*	13,345	(24,542)
Actuarial (losses)/gains recognised on retirement benefit scheme	*27*	(4,730)	474
Tax credit recognised in respect of pension schemes	*27*	1,088	16
Total recognised gains/(losses) for the period		9,703	(24,052)

The notes on pages 15 to 37 form part of these financial statements.

Consolidated balance sheet

As at 30 September 2012

	Notes	30 September 2012 £000	As restated 25 September 2011 £000
Fixed assets			
Intangible assets	*11*	98,855	104,838
Tangible assets	*12*	391,661	390,447
		490,516	495,285
Current assets			
Stocks	*15*	6,509	6,080
Debtors: amounts falling due within one year	*16*	24,245	20,856
Debtors: amounts falling due after more than one year	*16*	8,910	10,087
Total debtors		33,155	30,943
Cash at bank and in hand		399	18,132
		40,063	55,155
Creditors: amounts falling due within one year	*17*	(54,067)	(70,895)
Net current liabilities		(14,004)	(15,740)
Total assets less current liabilities		476,512	479,545
Creditors: amounts falling due after more than one year	*18*	(285,000)	(298,000)
Provisions for liabilities	*19*	(6,874)	(9,025)
Net assets excluding pension liability		184,638	172,520
Defined benefit pension scheme deficit	*27*	(4,234)	(1,819)
Net assets		180,404	170,701
Capital and reserves			
Called up share capital	*21*	1,500	1,500
Share premium account	*22*	193,253	193,253
Profit and loss account	*22*	(14,349)	(24,052)
Shareholders' funds	*23*	180,404	170,701

The notes on pages 15 to 37 form part of these financial statements.

These financial statements were approved by the board of directors on 22/03/2013 and were signed on its behalf by:

Name: Max Herberstein
Company No: FC029833

Consolidated cash flow statement

For the 53 weeks ended 30 September 2012

	Notes	53 weeks ended 30 September 2012 £000	58 weeks ended 25 September 2011 £000
Net cash inflow from operating activities	*25*	27,964	24,341
Returns on investments and servicing of finance			
Interest received	*7*	281	83
Interest paid		(10,192)	(115)
Net cash outflow from returns on investments and servicing of finance		(9,911)	(32)
Taxation		-	-
Capital expenditure and financial investment			
Proceeds on disposal of fixed assets and intangibles	*13*	1,819	3,454
Payments to acquire tangible fixed assets	*12*	(26,488)	(11,229)
Net cash outflow from capital expenditure and financial investment		(24,669)	(7,775)
Acquisitions and disposals			
Purchase of subsidiary undertaking		-	(82,600)
Net cash acquired with subsidiary undertaking		-	1,534
Payments to acquire trading sites		-	(391,201)
Net cash acquired with trading sites		-	735
Cash outflow from acquisitions and disposals		-	(471,532)
Cash outflow before financing		(6,616)	(454,998)
Financing			
Issue of ordinary share capital		-	174,812
Borrowings from parent company		-	216,500
Borrowings from external parties		-	81,500
Repayment of borrowings	*18*	(13,000)	-
Net cash (outflow)/inflow from financing		(13,000)	472,812
(Decrease)/increase in cash in the financial period	*26*	(19,616)	17,814

Consolidated cash flow statement *(continued)*

For the 53 weeks ended 30 September 2012

Reconciliation of net cash flow to movement in net debt

	Notes	53 weeks ended 30 September 2012 £000	58 weeks ended 25 September 2011 £000
(Decrease)/increase in cash in the period		(19,616)	17,814
Cash outflow/(inflow) from decrease/(increase) in debt		23,192	(298,000)
Change in net debt resulting from cash flows		3,576	(280,186)
Other non-cash changes	*26*	(8,269)	(1,971)
Movement in net debt in the period		(4,693)	(282,157)
Net debt at the beginning of the period		(282,157)	-
Net debt at the end of the period	*26*	(286,850)	(282,157)

The notes on pages 15 to 37 form part of these financial statements.

Notes to the financial statements

For the 53 weeks ended 30 September 2012

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 Limited is governed by Cayman Island Company Law.

The consolidated financial statements have been prepared in accordance with Companies Law (2010 Revision) of the Cayman Islands. As the Cayman Islands do not have prescribed accounting standards, the Group has elected to prepare these consolidated financial statements in accordance with UK Accounting Standards under the historical cost accounting basis, as allowed under Cayman Island Company Law. 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 Group and formally setting out the financial performance and position of the Group.

No parent company information is presented in these consolidated financial statements, Companies Law (2010 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 consolidated financial statements have not been subject to a statutory audit.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 30 September 2012. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the period are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Going Concern

The Group's principal activities, together with the principal risks and uncertainties factors likely to affect its future development, performance and position are set out in the Directors' Report on pages 3 to 8. The financial position of the Group is set out in the Consolidated Balance Sheet on page 13 which shows net assets of £180,404,000 (2011: £170,701,000). In addition, note 20 to the consolidated financial statements include the Group's key exposures to credit risk and liquidity risk.

During the current period the Group has experienced a net operating profit after taxation of £13,345,000 (2011: loss of £24,542,000). In the forthcoming period the Group expects to be profitable and cash generative.

At the balance sheet date, the Group was financed by a £285,000,000 loan, details of which are set out in note 18. Subsequent to the year end Stonegate Pub Company Limited re-structured its debt arrangements on 4 December 2012. Details of this transaction are set out in note 28.

The Group met its day-to-day working capital requirements through cash generation and a £15,000,000 overdraft facility which was part of the December 2012 refinancing transaction. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current facility.

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

Intangible fixed assets

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life, up to a maximum of 20 years which the directors believe to be an appropriate amortisation period.

Notes to the financial statements *(continued)*

For the 53 weeks ended 30 September 2012

1. Accounting policies (continued)

On the subsequent disposal or termination of a business acquired, the profit or loss on disposal or termination is calculated after charging (crediting) the unamortised amount of any related goodwill (negative goodwill).

Tangible fixed assets

Fixed assets are stated at cost less any accumulated depreciation.

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

- leasehold properties are depreciated to their estimated residual values over the shortest of 50 years, their estimated useful lives and their remaining lease periods;
- administration furniture, fixtures, fittings and equipment are depreciated over 2 to 15 years; and
- retail furniture, fixtures and equipment are depreciated over 3 to 15 years.

Impairment

The carrying values of intangible and tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised whenever the carrying amount of an asset or its income-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account.

Stocks

Stocks are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price less any costs of disposal.

Taxation

The charge for taxation is based on the profit or loss for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease. Lease incentives or rent free periods are held on the balance sheet within deferred income and released on a straight line basis over the life of the lease, or the period until the next rent review date if earlier.

Post-retirement benefits

The Group operates two defined benefit pension schemes providing benefits based on final pensionable salary. The assets of the schemes are held separately from those of the Group.

Pension scheme assets are measured using market values. For quoted securities the bid price is taken as market value. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme deficit or surplus (to the extent that it is recoverable) is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

The Group also participates in defined contribution pension schemes for the benefit of certain employees. The assets of the schemes are held separately from those of the Group in independently administered funds. The amount charged to the profit and loss account represents the contributions payable to the schemes in respect of the accounting period.

Notes to the financial statements *(continued)*

For the 53 weeks ended 30 September 2012

1. Accounting policies (continued)

Turnover

Turnover is mainly derived from the sale of food and drinks to third parties, after deducting discounts and VAT. It also includes certain services such as provision of entertainment. Revenue is recognised at the point of sale.

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

Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market.

Classification of financial instruments issued by the Group

Financial instruments issued by the Group are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group); and

b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges

Interest bearing borrowings

Immediately after issue debt is stated at the fair value of the consideration received on the issue of the capital instrument after deduction of issue costs. The finance cost of the debt is allocated to periods over the term of the debt at a constant rate on the carrying amount.

2. Segmental information

Turnover relates to third party sales, there being no inter-segmental turnover. The Group operates within only one class of business, being the management and operation of licensed bars.

Notes to the financial statements *(continued)*

For the 53 weeks ended 30 September 2012

3. Notes to the profit and loss account

	53 weeks ended 30 September 2012 £000	58 weeks ended 25 September 2011 £000
Profit/(loss) on ordinary activities before interest and taxation is stated after charging/(crediting):		
Depreciation of tangible fixed assets – owned assets	22,837	12,814
Amortisation of intangible assets	5,402	3,696
Exceptional operating items (see note 4)	4,366	5,010
(Profit)/loss on disposal of fixed assets	(922)	65
Operating lease rentals :		
Land and buildings	35,369	9,233

4. Exceptional operating items

	53 weeks ended 30 September 2012 £000	58 weeks ended 25 September 2011 £000
Restructuring and integration costs	2,774	2,976
Start-up costs for temporary head office	-	2,034
Impairment of tangible fixed assets	1,592	-
	4,366	5,010

In the prior period the Company acquired Plato Company 3 Limited and its subsidiaries. As a result of combining and streamlining the operations of the Plato companies with Stonegate the Group has incurred significant integration costs during the current and prior periods. Owing to the unusual nature of these costs and their significant effect upon the result for both periods these costs have been presented as exceptional operating items on the face of the profit and loss account.

Notes to the financial statements *(continued)*

For the 53 weeks ended 30 September 2012

5. Staff numbers and costs

	53 weeks ended 30 September 2012 Number	58 weeks ended 25 September 2011 Number
The average number of persons employed by the Group, analysed by category, were:		
Head office administration	214	200
Retail	10,363	10,126
	10,577	10,326

At the period end the Group had 10,299 employees (25 September 2011: 10,698 employees).

The aggregate payroll costs of these persons were as follows:	£000	£000
Wages and salaries	112,931	60,311
Social security costs	7,142	3,413
Other pension costs	566	295
	120,639	64,019

6. Remuneration of directors

	53 weeks ended 30 September 2012 £000	58 weeks ended 25 September 2011 £000
Directors' emoluments	75	-
Company contributions to money purchase pension schemes	-	-
	75	-

The highest paid director received emoluments of £75,000 (2011: £Nil) and Company pension contributions of £Nil (2011: £Nil) were made to a money purchase scheme on his behalf.

7. Interest receivable and similar income

	53 weeks ended 30 September 2012 £000	58 weeks ended 25 September 2011 £000
Other interest receivable	281	83

Notes to the financial statements *(continued)*

For the 53 weeks ended 30 September 2012

8. Other finance income

	53 weeks ended 30 September 2012 £000	58 weeks ended 25 September 2011 £000
Expected return on pension scheme assets (see note 27)	3,171	875
Interest on pension scheme liabilities (see note 27)	(3,083)	(846)
	88	29

9. Interest payable and similar charges

	53 weeks ended 30 September 2012 £000	58 weeks ended 25 September 2011 £000
Interest payable on bank loans	8,829	1,912
Intercompany interest payable	-	21,329
Other interest payable	91	157
	8,920	23,398

10. Taxation

a) Analysis of tax charge for the period

	53 weeks ended 30 September 2012 £000	58 weeks ended 25 September 2011 £000
UK corporation tax		
Current tax on income for the period	-	-
Total current tax	-	-
Deferred tax(see note 10d)		
Originating and reversal of timing differences	3,285	(300)
Adjustment in respect of change in tax rate	984	391
Adjustments in respect of prior periods	(3,041)	-
	1,228	91
Deferred tax (see note 27)		
Defined benefit pension scheme	-	4
Tax charge on loss on ordinary activities	1,228	95

Notes to the financial statements *(continued)*

For the 53 weeks ended 30 September 2012

10. Taxation (continued)

b) Factors affecting the current tax charge

The tax assessed for the period is lower (2011: higher) than the average standard rate of corporation tax in the UK of 24% (2011: 26.87%). The differences are explained below:

	53 weeks ended 30 September 2012	58 weeks ended 25 September 2011
Current tax reconciliation	£000	£000
Profit/(loss) on ordinary activities before tax	14,573	(24,447)
Current tax at 25.02% (2011: 26.87%)	3,646	(6,569)
Effects of:		
Capital allowances in excess of depreciation	(1,427)	(3,435)
Expenses not deductible for tax purposes	4,361	5,345
Losses carried forward as deferred tax assets	-	3,581
(Losses brought forward)/losses carried forward not recognised as deferred tax assets	(1,540)	1,638
Difference between the amounts charged and paid to the Pension Plan	(294)	(670)
Other timing differences	(180)	110
Impact of rate change on current year deferred tax charge/credit	(299)	-
Capital gain	201	-
Group relief not paid for	(1,264)	-
Transfer pricing adjustment	(3,204)	-
Total current tax	-	-

c) Factors that may affect future tax charges

The 2012 Budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and a further reduction to 24% (effective from 1 April 2012) was substantively enacted on 26 March 2012.

The Chancellor also announced a reduction in the main rate of UK corporation tax to 23% with effect from 1 April 2013. This became substantially enacted on 17 July 2012, when the Finance Bill was given Royal Assent.

This will reduce the Company's future current tax charge accordingly and further reduce the deferred tax asset at 30 September 2012. It has not yet been possible to quantify the full anticipated effect of the announced further 2% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax asset accordingly.

Unrecognised deferred tax assets may also affect future tax charges – see note 10(d).

Notes to the financial statements *(continued)*

For the 53 weeks ended 30 September 2012

10. Taxation (continued)

d) Deferred taxation asset

	53 weeks ended 30 September 2012 £000
Deferred tax asset as at 25 September 2011	10,087
Charge to the profit and loss account for the period	(1,228)
Deferred tax on defined benefit pension schemes	51
As at 30 September 2012	8,910

The elements of deferred taxation are as follows:

	30 September 2012 £000	25 September 2011 £000
Accelerated capital allowances	3,770	5,029
Short term timing differences	187	16
Tax losses	4,953	5,042
	8,910	10,087

The unrecognised deferred tax asset at 30 September 2012 is £771,000 (25 September 2011: £2,485,000) relating to accelerated capital allowances, short term timing differences and tax losses.

Notes to the financial statements *(continued)*

For the 53 weeks ended 30 September 2012

11. Intangible fixed assets

	Goodwill
	£000
Cost	
At 25 September 2011	108,530
Disposals	(75)
Revision to fair values at acquisition	(512)
At 30 September 2012	107,943
Amortisation	
At 25 September 2011	(3,692)
Charge in the period	(5,402)
Disposals	6
At 30 September 2012	(9,088)
Net book value	
At 30 September 2012	**98,855**
At 25 September 2011	104,838

All intangible assets are being amortised over a period of 20 years which the directors consider to reflect its economic useful life, being the period over which the directors expect the Group will receive economic benefits of the acquisition.

In respect of acquisitions made in the prior period, the only revision to fair values estimated at that time is to reduce goodwill by £512,000 and to increase tangible fixed assets by £512,000.

Notes to the financial statements *(continued)*

For the 53 weeks ended 30 September 2012

12. Tangible fixed assets

	Land & buildings £000	Furniture fixtures, and equipment £000	Total £000
Cost			
As at 25 September 2011	310,829	92,341	403,170
Additions	6,682	19,780	26,462
Disposals	(1,208)	(383)	(1,591)
Revision to fair values at acquisition	512	-	512
Reclassification	1,400	(1,400)	-
As at 30 September 2012	318,215	110,338	428,553
Accumulated depreciation			
As at 25 September 2011	(4,462)	(8,261)	(12,723)
Charge for the period	(7,943)	(14,894)	(22,837)
Impairment in the period	(1,301)	(291)	(1,592)
Eliminated on disposal	168	92	260
Reclassification	(177)	177	-
As at 30 September 2012	(13,715)	(23,177)	(36,892)
Net book value			
As at 30 September 2012	**304,500**	**87,161**	**391,661**
Net book value			
As at 25 September 2011	306,367	84,080	390,447

The net book value of land & buildings comprises	30 September 2012 £000	25 September 2011 £000
Short leasehold	68,142	68,629
Long leasehold	8,844	9,675
Freehold	52,764	53,203
Land	174,750	174,860
	304,500	306,367

Impairment of goodwill and tangible fixed assets

Goodwill and tangible fixed assets are reviewed annually for impairment in accordance with UK GAAP if circumstances or events indicate that the carrying value of fixed assets may not be recoverable.

When a review for impairment is carried out, the carrying value of the fixed assets at each site (determined to be the smallest income generating unit in the business) is compared with the recoverable amount of those assets. The recoverable amount is determined as being the higher of the expected net realisable value

Notes to the financial statements *(continued)*

For the 53 weeks ended 30 September 2012

12. Tangible fixed assets (continued)

or the value in use, being the present value of the expected cash flows attributable to that site using a discount rate of 7% applied to the future expected cash flows. Where a reliable estimate of the net realisable value is available and is higher than the carrying amount of the asset, the asset is not impaired and there is no need to calculate the value in use. Individual units identified for the purpose of monitoring the recoverability of tangible fixed assets have been combined with similar units to enable the recoverability of the related goodwill to be assessed. For the period ended 30 September 2012 the impairment review gave rise to an impairment against tangible fixed assets for the Group of £1,592,000.

13. Disposals

During the period the Group disposed of six sites to third parties for net consideration of £2,090,999, with associated costs of sale of £272,109, and tangible fixed assets with net book values of £1,331,050 and goodwill of £68,840. Furthermore, utilisation of onerous lease provisions during the year resulted in £503,263 being credited to profit / (loss) on sale of fixed assets, resulting in an overall profit on sale of fixed assets of £922,000 (2011: loss of £65,000).

14. Investments

At period end the Group comprises the following principal subsidiary undertakings:

	Country of incorporation	Class of shares held	Proportion held	Nature of business
Plato Company 3 Limited	Cayman Islands	Ordinary	100%	Holding 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
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

* Held indirectly

Notes to the financial statements *(continued)*

For the 53 weeks ended 30 September 2012

15. Stocks

	30 September 2012 £000	25 September 2011 £000
Goods held for resale	6,509	6,080

The estimated replacement cost of stocks is not materially different from the above carrying values.

16. Debtors

	30 September 2012 £000	25 September 2011 £000
Amounts due within one year:		
Trade debtors	1,023	2,209
Other debtors	6,218	7,510
Prepayments and accrued income	16,762	11,137
VAT receivable	242	-
	24,245	20,856
Amounts due in more than one year:		
Deferred tax asset	8,910	10,087
	33,155	30,943

17. Creditors: amounts falling due within one year

	30 September 2012 £000	As restated 25 September 2011 £000
Bank loans and overdrafts	2,201	318
Trade creditors	17,080	32,347
Other taxation and social security	12,739	10,185
Other creditors	6,566	6,465
Accruals	15,481	21,580
	54,067	70,895

Notes to the financial statements *(continued)*

For the 53 weeks ended 30 September 2012

18. Creditors: amounts falling due after more than one year

	30 September 2012 £000	25 September 2011 £000
Bank loans	285,000	81,500
Amounts owed to parent undertaking	-	216,500
	285,000	298,000

On 21 June 2011 the Company re-structured its debt arrangements, entering into a £285,000,000 syndicated loan facility. The immediate parent company is a member of the syndicate, being the majority lender with £203,500,000 loan principal. The remainder of the loan principal is provided by Kaupthing bank hf. and Commerzbank AG who have minority shareholdings in the Company. As Commerzbank are the 'principle bankers' leading the syndicate administration, the debt is classified as bank loans due to third parties.

As at the balance sheet date the debt was repayable in full on 21 June 2013. Subsequent to the year end the Company entered into a re-financing agreement. Details of this transaction are set out in note 28.

On 12 August 2011 the Company entered into an interest rate swap linked to its external shareholder loan fixing the interest rate at 3% for the loan amount of £290,000,000. At the period end accrued swap interest payable of £14,951 (25 September 2011: £210,000) was outstanding and included in creditors amounts falling due within one year.

19. Provisions for liabilities

	Health and safety provisions £000	**Onerous lease provisions £000**	**Other £000**	**Total £000**
Restated at 25 September 2011	1,538	6,835	652	9,025
Utilised	-	(2,159)	8	(2,151)
Provisions at 30 September 2012	1,538	4,676	660	6,874

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

Health and safety provisions include repairs necessary to certain sites acquired in order to meet health & safety regulations and to continue to trade. These defects were existent at acquisition and the costs to the Group are estimated to be £1,538,000. The Group expects to utilise these provisions over the next two years when the property defects will be repaired.

Included in other provisions are some insurance claims which the Company expects to settle over the next two years.

Notes to the financial statements *(continued)*

For the 53 weeks ended 30 September 2012

20. Financial instruments

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

Interest rate risk

The Group finances its operations through a mixture of trading cash flows and bank borrowings. Borrowings are in sterling and are at floating rates of interest. The Group seeks to minimise the cost of borrowings and reduce the impact of interest rate fluctuations. On 12 August 2011 the Group entered into an interest swap linked to its external loans fixing the interest rate at 3% for the loan amount of £290,000,000. The Group has not included movements of the fair value of this derivative in its result for the financial period. Fair value of the swaps as at period end is a liability of £9,225,000 (25 September 2011:£1,121,000).

Liquidity risk

The Group 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 Group are in sterling and involve no currency risk. The Group reviews its currency exposure on a continual basis and will enter into hedges if considered necessary.

Credit risk

The principal financial assets of the Group are cash and trade debtors. The credit risk associated with the cash is limited and given the immaterial value of trade debtors, the credit risk associated with these is minimal.

21. Called up share capital

	30 September 2012 £000
Called up, allotted and fully paid	
150,000,000 (25 September 2011: 150,000,000) Ordinary shares of £0.01 each	1,500

22. Reserves

	Share premium	**Profit and loss account**
	£000	£000
At 25 September 2011	193,253	(24,052)
Profit for the financial period	-	13,345
Actuarial losses recognised on retirement benefit schemes		(4,730)
Tax credit recognised in respect of pension schemes	-	1,088
At 30 September 2012	193,253	(14,349)

Notes to the financial statements *(continued)*

For the 53 weeks ended 30 September 2012

23. Reconciliation of movements in shareholders' funds

	30 September 2012 £000	25 September 2011 £000
Profit/(loss) for the financial period	13,345	(24,542)
Actuarial (losses)/gains recognised on retirement benefit scheme	(4,730)	474
Tax credit recognised in respect of pension schemes	1,088	16
Issue of ordinary share capital	-	1,500
Premium on shares issued	-	193,253
Increase in shareholders' funds in the period	9,703	170,701
Shareholders' funds at the start of the period	170,701	-
Shareholders' funds at the end of the period	180,404	170,701

24. Commitments

Operating leases relating to land and buildings

Annual commitments under non-cancellable operating leases are as follows:

	30 September 2012 £000	25 September 2011 £000
Leases which expire:		
Within one year	300	1,191
Within one to two years	387	250
Within two to five years	1,164	1,394
After five years	34,173	33,258
	36,024	36,093

Capital commitments

	30 September 2012 £000	25 September 2011 £000
Contracted but not provided	1,026	1,149

Notes to the financial statements *(continued)*

For the 53 weeks ended 30 September 2012

25. Reconciliation of operating profit/(loss) to net cash inflow from operating activities

	53 weeks ended 30 September 2012 £000	58 weeks ended 25 September 2011 £000
Operating profit/(loss)	22,202	(1,096)
Depreciation	22,837	12,814
Impairment of tangible fixed assets	1,592	-
Amortisation of intangible assets	5,402	3,696
Employer contributions made to pension scheme	(1,188)	(2,000)
(Increase)/decrease in stock	(429)	912
(Increase) in debtors	(3,391)	(6,484)
(Decrease)/increase in creditors	(19,061)	16,499
Net cash inflow from operating activities	27,964	24,341

26. Reconciliation of net cash flow to movements in net debt

	At 25 September 2011 £000	Net cash flow in period £000	Other non-cash movements £000	At 30 September 2012 £000
Cash at bank and in hand	18,132	(17,733)	-	399
Bank overdraft	(318)	(1,883)	-	(2,201)
	17,814	(19,616)	-	(1,802)
Debt due after one year	(298,000)	13,000	-	(285,000)
Debt due within one year	(1,971)	10,192	(8,269)	(48)
	(282,157)	3,576	(8,269)	(286,850)

Net debt shown above includes amounts owed to both external lenders and to Stonegate Pub Company Limited, the Company's immediate parent undertaking. The non-cash movements mainly relate to the interest that is accrued at the year end on the loan facility and on the swap.

Notes to the financial statements *(continued)*

For the 53 weeks ended 30 September 2012

27. Pensions

Defined contribution pension schemes

The Group operates three defined contribution stakeholder schemes for certain employees. The pension cost charge for the period represents contributions payable by the Group to the schemes and amounted to £566,000 (2011: £377,000). At the period end the Group had outstanding contributions payable to the schemes of £38,666 (25 September 2011: £68,000).

Defined benefit pension schemes

On 21 June 2011, as part of the Plato Company 3 acquisition the Group acquired two defined benefit schemes, the Laurel Pub Pension scheme and the Yates Group Pension scheme, which are closed to new members and closed to further accruals for existing members. The assets of the schemes are held in a single, separate trustee administered fund. The latest full actuarial valuations of the schemes were last carried out by an independent qualified actuary at 28 February 2011 and the results have been updated for the purpose of calculating the FRS 17 disclosures to 30 September 2012.

Details of the schemes are presented below:

	Laurel Pub Pension scheme	Yates Group Pension scheme	Total	Laurel Pub Pension scheme	Yates Group Pension scheme	Total
	2012 £000	2012 £000	2012 £000	2011 £000	2011 £000	2011 £000
Present value of funded defined benefit obligations	(54,668)	(12,001)	(66,669)	(48,604)	(11,177)	(59,781)
Fair value of plan assets	49,303	12,107	61,410	47,067	10,801	57,868
(Deficit)/surplus	(5,365)	106	(5,259)	(1,537)	(376)	(1,913)
Unrecognised surplus	-	(106)	(106)	-	-	-
Related deferred tax asset	1,131	-	1,131	-	94	94
Net liability recognised in the balance sheet	(4,234)	-	(4,234)	(1,537)	(282)	(1,819)

Deferred tax has been recognised on the defined benefit pension liability in the Laurel Pub Pension scheme as Bay Restaurant Group Limited, the Group Company being the principal employer to the scheme, is forecast to be able to utilise the deferred tax asset in the foreseeable future.

Notes to the financial statements *(continued)*

For the 53 weeks ended 30 September 2012

27. Pensions (continued)

Movement in deferred tax asset recognised in relation to the Yates Group Pension scheme:

	30 September 2012 £000
At 25 September 2011	94
Charge to profit and loss account	(51)
Credit to statement of total recognised gains and losses:	
-in respect of actuarial gains	1,088
At 30 September 2012	1,131

Movement in present value of funded defined benefit obligations during the period:

	Laurel Pub Pension scheme 2012	Yates Group Pension scheme 2012	Total 2012	Laurel Pub Pension scheme 2011	Yates Group Pension scheme 2011	Total 2011
	£000	£000	£000	£000	£000	£000
At the start of the period	48,604	11,177	59,781	48,038	11,114	59,152
Movement in the period						
Interest cost	2,504	579	3,083	687	159	846
Actuarial losses	6,101	697	6,798	80	16	96
Benefits paid	(2,592)	(452)	(3,044)	(333)	(112)	(445)
Past service costs	51	-	51	132	-	132
At the end of the period	54,668	12,001	66,669	48,604	11,177	59,781

Notes to the financial statements *(continued)*

For the 53 weeks ended 30 September 2012

27. Pensions (continued)

Movement in fair value of plan assets:

	Laurel Pub Pension scheme 2012	Yates Group Pension scheme 2012	Total 2012	Laurel Pub Pension scheme 2011	Yates Group Pension scheme 2011	Total 2011
	£000	£000	£000	£000	£000	£000
At the start of the period	47,067	10,801	57,868	43,937	10,799	54,736
Movement in the period						
Expected return on plan assets	2,592	579	3,171	701	174	875
Actuarial gains/(losses)	1,183	991	2,174	630	(60)	570
Contributions by employer	1,053	188	1,241	2,132	-	2,132
Benefits paid	(2,592)	(452)	(3,044)	(333)	(112)	(445)
At the end of the period	49,303	12,107	61,410	47,067	10,801	57,868

Analysis of income recognised in the profit and loss account:

	Laurel Pub Pension scheme 2012	Yates Group Pension scheme 2012	Total 2012	Laurel Pub Pension scheme 2011	Yates Group Pension scheme 2011	Total 2011
	£000	£000	£000	£000	£000	£000
Expected return on pension scheme assets	2,592	579	3,171	701	174	875
Interest on pension scheme obligations	(2,504)	(579)	(3,083)	(687)	(159)	(846)
Total pension credit	88	-	88	14	15	29

Notes to the financial statements *(continued)*

For the 53 weeks ended 30 September 2012

27. Pensions (continued)

The income is recognised in the following line items in the profit and loss account:

	Laurel Pub Pension scheme 2012	Yates Group Pension scheme 2012	Total 2012	Laurel Pub Pension scheme 2011	Yates Group Pension scheme 2011	Total 2011
	£000	£000	£000	£000	£000	£000
Administrative expenses	-	-	-	-	-	-
Other finance income	88	-	88	14	15	29
Total	88	-	88	14	15	29

The total amount recognised in the statement of total recognised gains and losses in respect of actuarial gains and losses, for the current period and on a cumulative basis, is a loss of £4,918,000 (21 June to 25 September 2011: gain of £550,000) in the Laurel Pub Pension scheme and a gain of £188,000 (21 June to 25 September 2011: loss of £76,000) in the Yates Group Pension scheme.

The fair value of the plan assets and the return on those assets for the Laurel Pub Pension scheme were as follows:

	Long term expected rate of return	Laurel Pub Pension scheme Value 30 September 2012 £000	Long term expected rate of return	Laurel Pub Pension scheme Value 25 September 2011 £000
Equities	6.60%	23,869	7.70%	21,284
Bonds	4.60%	21,690	5.20%	24,644
Cash	4.60%	3,744	5.20%	1,139
Properties and other	6.60%	-	7.70%	-
Fair value of plan assets		49,303		47,067
Actual return on plan assets		3,775		2,912

Notes to the financial statements *(continued)*

For the 53 weeks ended 30 September 2012

27. Pensions (continued)

The fair value of the plan assets and the return on those assets for the Yates Group Pension scheme were as follows:

	Long term expected rate of return	Yates Group Pension scheme Value 30 September 2012 £000	Long term expected rate of return	Yates Group Pension scheme Value 25 September 2011 £000
Equities	6.60%	4,732	7.70%	4,181
Bonds	4.60%	6,435	5.20%	5,765
Cash	4.60%	68	5.20%	2
Properties and other	6.60%	872	7.70%	853
Fair value of plan assets		12,107		10,801
Actual return on plan assets		1,570		249

The long-term expected return on bonds is determined by reference to UK long dated government and corporate bond yields at the balance sheet date. The long-term expected rate of return on equities is based on the rate of return on bonds with an allowance for out-performance.

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

	Laurel Pub Pension scheme As at 30 September 2012	Yates Group Pension scheme As at 30 September 2012	Laurel Pub Pension scheme As at 25 September 2011	Yates Group Pension scheme As at 25 September 2011
Discount rate	4.50%	4.50%	5.20%	5.20%
Expected rate of return on plan assets	5.50%	5.50%	6.22%	6.28%
Future salary increases	N/a	N/a	N/a	N/a
Rate of increase in pension payment	1.90%	1.90%	2.20%	2.20%
Inflation	1.90%	1.90%	2.20%	2.20%

In valuing the liabilities of the pension fund at 30 September 2012, mortality assumptions have been made as indicated below. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 30 September 2012 would have increased by £1,100,000 (25 September 2011:£1,100,000) before deferred tax for the Laurel Pub Pension scheme and £300,000 (25 September 2011: £200,000) for the Yates Group Pension scheme.

Notes to the financial statements *(continued)*

For the 53 weeks ended 30 September 2012

27. Pensions (continued)

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

Laurel Pub Pension scheme;

- Current pensioner aged 65: 21.7 years (male), 23.8 years (female).
- Future retiree upon reaching 65: 24.6 years (male), 26.8 years (female).

Yates Group Pension scheme;

- Current pensioner aged 65: 21.7 years (male), 23.8 years (female).

  Future retiree upon reaching 65: 24.6 years (male), 26.8 years (female).

The history of the plans is as follows:

Balance sheet

	Laurel Pub Pension scheme 30 September 2012 £000	Yates Group Pension scheme 30 September 2012 £000	30 September 2012 Total £000	Laurel Pub Pension scheme 25 September 2011 £000	Yates Group Pension scheme 25 September 2011 £000	25 September 2011 Total £000
Present value of scheme liabilities	(54,668)	(12,001)	(66,669)	(48,604)	(11,177)	(59,781)
Fair value of scheme assets	49,303	12,107	61,410	47,067	10,801	57,868
(Deficit)/surplus	(5,365)	106	(5,259)	(1,537)	(376)	(1,913)
Unrecognised surplus	-	(106)	(106)	-	-	-
Deferred tax	1,131	-	1,131	-	-	-
	(4,234)	-	(4,234)	(1,537)	(376)	(1,913)

Notes to the financial statements *(continued)*

For the 53 weeks ended 30 September 2012

27. Pensions (continued)

Experience adjustments

	Laurel Pub Pension scheme 53 weeks to 30 September 2012	Yates Group Pension scheme 53 weeks to 30 September 2012	Laurel Pub Pension scheme 21 June 2011 to 25 September 2011	Yates Group Pension scheme 21 June 2011 to 25 September 2011
Experience adjustments on scheme liabilities as a percentage of scheme liabilities	(2.01)%	0.12%	0.16%	0.14%
Experience adjustments on scheme assets as a percentage of scheme assets	2.40%	8.19%	1.34%	(0.56%)

The group expects to contribute approximately £1,000,000 to its defined benefit plans in the next financial year for the Laurel Pub Pension scheme. The company does not expect to contribute to the Yates Group defined benefit plan in the next financial year.

28. Post balance sheet events

Subsequent to the year end, Stonegate Pub Company Limited re-structured its debt arrangements on 4 December 2012. As part of this transaction the Company repaid £140,000,000 of its original £285,000,000 loan facility, entered into on 21 June 2011, to its immediate parent company Stonegate Pub Company Holdings Limited; Kaupthing bank hf. and Commerzbank AG. As part of the transaction Stonegate Pub Company Limited received £145,000,000 of syndicated debt from Barclays Bank plc; Abbey National (Treasury Services) plc; Credit Agricole Corporate and Investment Bank; The Royal Bank of Scotland plc and Commerzbank AG. Furthermore, £128,115,487 of the original loan entered into on 21 June 2011 was restructured into a shareholder PIK loan with Stonegate Pub Company Holdings Limited and Kaupthing bank hf.

29. Related party transactions

During the year the Group was invoiced management charges of £2,064,407 (2011: £2,182,000) by TDR Capital LLP, the ultimate parent undertaking. This related to monitoring charges for the period. The amount outstanding at 30 September 2012 was £Nil (25 September 2011: £2,182,000).

At the balance sheet date, the Group had a syndicated loan facility of £285,000,000 with the loan principal being provided by the immediate parent company, Stonegate Pub Company Holdings Limited and two minority shareholders. Details of these loans are set out in Note 18 of the accounts.

30. Ultimate parent undertaking

The Company is a subsidiary undertaking of Stonegate Pub Company Holdings Limited, a company incorporated in the Cayman Islands. The ultimately controlling party is TDR Capital LLP, a private equity firm.