

Stonegate Pub Company Pikco Holdings Limited  
Annual report and financial statements  
Registered number 12086428

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For the 52 weeks ended 25 September 2022  
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## **Company information**

### **Directors**

Brian Magnus  
Alhassan Elgazzar

### **Registered office**

3 Monkspath Hall Road  
Shirley  
Solihull  
B90 4SJ

### **Auditor**

KPMG LLP  
15 Canada Square  
London  
E14 5GL

## **Strategic report**

The Directors present their strategic report for Stonegate Pub Company Pikco Holdings Limited and its subsidiaries (together “the Group”) for the 52 weeks ended 25 September 2022 (2021: 52 weeks ended 26 September 2021).

Stonegate is the largest pub owning company in the United Kingdom, with 4,516 operating sites at the period-end (2021: 4,580). The Stonegate Group encompasses six businesses with each one delivering a distinctive operating model. We optimise value creation by ensuring every one of our sites has the right operating model, value proposition and people in place.

### **Pub Partners**

Our leased and tenanted estate comprises 2,864 pubs at the period end (2021: 3,080 pubs). These sites are let to publicans on tied leases and tenancies, such that as well as paying rent for the pub, each publican is tied into buying certain drink products from the Group. The publicans also have access to a large support infrastructure which is dedicated to supporting and empowering them to run great businesses. The Pub Partners’ estate is spread across England and Wales

### **Stonegate**

Our Managed estate comprising 844 sites at the period end (2021: 799 sites) is diversified with a mix of branded and unbranded pubs, bars and clubs, and is located across England, Scotland and Wales. The Group ensures that no matter what the brand or size of venue, each guest receives a warm Stonegate welcome in exciting, relevant and safe surroundings. Our Managed sites are run under a traditional managed model such that the Group employs all staff, incurs all costs and has full responsibility for all compliance matters, but in return directs the retail offer and has access to the full retail margin.

### **Craft Union**

The Group has 473 Craft Union pubs across England and Wales at the period end (2021: 428 pubs) which sit at the heart of the communities they serve. The simple idea behind Craft Union is to deliver good quality drinks at a competitive price accompanied by varied entertainment in a well-invested pub for the locals. These pubs are run under an operator agreement whereby each pub is run by an Operator who receives a percentage of turnover. The Operator is responsible for all labour, but all other costs and responsibilities sit with the Group.

### **Commercial Properties**

Our Commercial Properties estate comprises 260 pubs at the period end (2021: 194 pubs) which are let on free-of-tie terms to commercial landlords. These sites, although similar to the Pub Partners estate, do not have the same support infrastructure and the relationship with each tenant is purely driven by the lease agreement.

### **Managed Investments**

The Group has partnered with some of the best operators in the pub industry in order to tap into their expertise to deliver optimum value in more specialist areas where the Group has less experience. There are currently 56 pubs (2021: 66 pubs) in this model with eight different partners and sites are predominately based in London and the South East. The vast majority of these sites are run under the traditional managed model.

### **Vixen Pub Company**

At the current period end the Group’s Vixen estate of pubs and inns comprises 19 sites (2021: 13 sites). These pubs serve their local communities as well as visitors, as many are located in popular tourist areas and offer accommodation. They are run under the operator-led model where the operator receives a percentage of turnover and Stonegate works closely with operators to deliver a warm and friendly experience for guests and provide high quality pub food favourites.

## Strategic report (continued)

### Vision and Values

The Group's vision is:

**"To raise the bar on the British pub by being the best for our guests, people and communities."**

In order to deliver our vision we employ four key strategies which we must exceed in to create optimal value:

#### 1. Aligning and investing in our assets

In order for each property to deliver optimal returns, the Group needs to employ the right retail offer with the most appropriate operating model. The Asset Optimisation Panel, which has representation from across the business, is the conduit of these decisions, regularly assessing returns submitted by each business segment to determine the future best option for the property. Each decision is generally accompanied by an element of capital expenditure in order to transition the site and set it up to succeed.

#### 2. Attracting and developing talent

With each property in its optimum segment, it is critical that the Group can recruit, develop and retain excellent people as publicans, operators and employees both in site and in its support functions to generate the best returns.

#### 3. Delivering a great experience to our guests, partners and operators

To generate the best returns, Stonegate strives to deliver great experiences to bring people into their pubs and ensure they come back again and again. The Group also wants to ensure that our publicans and our operators have rewarding relationships with us.

#### 4. Always safe and efficient

The Group takes safety and compliance with all legal requirements very seriously, whilst ensuring that its processes are streamlined wherever possible to enhance efficiency and therefore create value.

Our vision and strategy are firmly underpinned by our 'FIRST' values, which define who we are and how we behave.

- 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; 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; 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; we are adaptable and see change as an opportunity.
- 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; we approach challenges with solutions in mind.
- We are one **TEAM** – We treat each other with respect; we develop ourselves and our teams; we share great ideas; we take responsibility for our actions.

### Business model

Value is generated using our resources, our strong capabilities and leveraging our stakeholder relationships.

The Group's investors TDR Capital LLP, a leading private equity firm, have a strong track record working with their investments' senior management teams to drive value and grow the business. This is achieved through the investment of resources, both financial and operational, to improve the core business and as well as growth through targeted acquisitions. Both TDR and Stonegate are experienced and respected in the industry, with the capability to deliver the long-term plan.

The Group's key resource is its large estate of predominately freehold properties, geographically spread across the UK. Stonegate's management, with TDR's support, ensure that the Group has sufficient working capital and capability to generate the best returns. This ensures the properties are initially assessed and moved to the correct segment and then that they are operated in the best way to create optimal value.

## Strategic report (continued)

### Business model (continued)

The business then works closely with a range of internal and external stakeholders, such as professional partners, investment analysts and supply chain partners to continually assess its performance and make improvements where required.

Alongside the economic returns, Stonegate takes pride in its growing environmental, social and governance agenda. Further information can found on page 9.

### Business review

The results for the Group for the 52 weeks ended 25 September 2022 are shown in the consolidated income statement on page 25. Pre-exceptional operating profit for the period was £315 million (2021: pre-exceptional operating loss of £19 million). Post-exceptional operating profit for the period was £118 million (2021: £59 million). Loss before tax was £180 million (2021: loss of £281 million). The financial position of the Group is set out in the consolidated balance sheet on page 27 which shows net liabilities of £332 million (2021: £137 million). Net decrease in cash and cash equivalents in the period was £91 million (2021: decrease of £70 million).

Sales have continued to recover well since reopening last year, despite the impact from Covid-19 on the Christmas trading period. The current cost of living crisis, exacerbated by the war in Ukraine which has driven up energy and food prices in particular, has continued pressure on consumers and the trading environment. Additional costs are being offset as much as possible by price rises, menu engineering and operational productivity.

The announcements of domestic and business energy price caps are welcomed both due to the impact on guest disposable income and the reduction of cost downside to the business from potential further adverse market price increases. However, we expect our total energy and utility costs to increase significantly in the coming year.

In the period the Group has spent £140 million on expansionary and maintenance capital (2021: £53 million which was primarily focused on maintenance capital).

During the period on 10 January 2022 the Group acquired the remaining 25% of shares in Hippo Inns Limited, a joint venture, for £1.8 million. Hippo Inns comprises 12 high quality pubs located in prime London and Greater London neighbourhoods and are known for their premium food offer. These sites now form part of the Stonegate managed estate.

The Group has disposed of 63 trading sites, comprising six managed; one operator-led and 56 leased and tenanted, and 4 non licensed and 2 non-trading properties in the period for net proceeds of £46 million (2021: 140 trading sites and 11 non licensed properties for net proceeds of £66 million). In addition, net two sites moved from trading to non-trading by year end and one additional leasehold site was acquired in the year.

Included in the above disposals were to the two remaining sites of the total 42 sites that it was required to dispose under the CMA guidelines following the acquisition of Ei Group Limited in March 2020.

### Group Key Performance Indicators

Below are the key performance indicators (KPIs) for the Stonegate Group at the period end which the Board reviews on a periodic basis.

	2022 52 weeks	2021 52 weeks
<b>Financial KPIs – Group</b>		
Managed Turnover Growth (like for like)	0.9%	(30.5)%
Operator Led Turnover Growth (like for like)	9.5%	(30.2)%
L&T Turnover Growth (like for like)	(3.2)%	(22.4)%

Like for like represents turnover compared to the previous comparable period, for the sites in each segment that were trading throughout the current and previous period. The Group's financial KPIs have been impacted in both the current and prior period by the Covid-19 pandemic.

## Strategic report (continued)

### Business review (continued)

The Group Income Statement discloses statutory profit / (loss) information that excludes separately disclosed items to allow an understanding of the trading performance of the Group. Separately disclosed items are those which are separately identified by virtue of their size or incidence.

	Statutory		Adjusted	
	2022 52 weeks £m	2021 52 weeks £m	2022 52 weeks £m	2021 52 weeks £m
Revenue	1,611	707	1,611	707
Other income	1	108	1	94
Operating costs before depreciation and amortisation	(1,147)	(664)	(1,212)	(729)
EBITDA	465	151	400	72
Operating profit	118	59	250	(98)

	2022 52 weeks £m	2021 52 weeks £m
EBITDA	465	151
Acquisition and integration costs	-	1
Business interruption insurance	4	(14)
Surrender premiums	3	1
Management fees	2	2
Equity settled share based payment expense	1	1
Pension scheme service costs	1	1
Losses on disposed/non-trading sites	-	6
Other non-recurring costs	1	5
IFRS 16	(77)	(82)
<b>Adjusted EBITDA</b>	<b>400</b>	<b>72</b>

Adjusted EBITDA represents profit before finance income, finance costs, taxation, depreciation, amortisation, impairment, and the other items shown above. In relation to those leases under IFRS 16, for the 52 weeks ending 25 September 2022, the Group's operating profit before depreciation, amortisation, impairment, revaluation and profit on sale of non-current assets improved by £77 million as operating lease rentals are no longer included in operating profit (52 weeks ended 26 September 2021: £82 million). Depreciation of right-of-use assets and lease liability interest are instead included below operating profit. Further information on leases can be found in note 26. The directors consider the adjusted EBITDA provides useful information about the Group's performance and aids a more effective comparison of the Group's trading performance from one period to the next and with similar businesses.

Adjusted Operating profit represents adjusted EBITDA as described above and the impact of £195 million reduction in the value of property, plant and equipment and goodwill (2021: £70 million increase).

## Strategic report (continued)

### Business review (continued)

#### Non-financial KPIs

We report our progress against a range of established ESG metrics. These have been based upon leading industry indicators such as Food Hygiene Rating Scheme (FHRS), diversity, employee wellbeing and recycling. Further areas of focus cover water consumption, energy usage, internal appointments, employee engagement and customer NPS.

Our key non-financial safety standards metric is the 5-star rating that we seek to achieve from the Food Standards Agency's website across our managed pub estate. The percentage of managed pubs rated five stars at the end of the financial period was 93.6% (2021: 88.7%) with an average rating of 4.95 (2021: 4.86).

Stonegate recognises the importance of having an engaged and motivated workforce and the value it can bring to a business. The Group has conducted a number of pulse engagement surveys over the past few years to understand how it is performing around employee engagement. The most recent survey, conducted in October 2022, had a pulse rate, being the key measure of engagement, of 7.6.

We strive to create a work environment free of discrimination, harassment and bullying, where everyone is treated with dignity and respect and all employment decisions are based on merit, qualifications and abilities. Stonegate operates a robust grievance procedure which enables employees to raise any concerns they may have.

The following table sets out our diversity balance as between men and women at the end of the financial period:

	Male	Female
All employees (site and Head Office)	49%	51%
All Head Office employees	48%	52%
Senior management team (excluding Operating Board)	63%	37%
Operating Board	70%	30%

The Group continues to deliver a female mentoring programme, designed to support females with potential to progress with the business. Mentors are typically colleagues at Senior management team level and are provided with comprehensive training. The programme encompasses around 25 females in each annual intake, and has been running for four years.

## Strategic report (continued)

### Business review (continued)

#### Financial Position

The financial position of the Group is set out in the consolidated balance sheet on page 27 which shows net liabilities of £332 million (2021: £137 million). Group cash at the period end was £133 million (2021: £224 million), of which £69 million (2021: £106 million) is held within the Unique securitisation, and the Group has access to a further £128 million (2021: £225 million) from its revolving credit facility and a further £25 million (2021: £25 million) overdraft facility. Non-current borrowings were £4,210 million (2021: £4,228 million). On 13 July 2022, The Group extended £23 million of its revolving facility agreement which was due to expire, for a further year to maturity in July 2023.

The Group is financed by predominantly long-term debt in the form of securitised debt and bank borrowings, denominated in both sterling and euros, details of which can be found in note 21.

The Group has recognised £195 million downwards movement in the valuation of the estate, related assets and goodwill in the 52 weeks ended 25 September 2022 (2021: £70 million upwards movement), including a £145 million impairment charge (2021: £74 million impairment reversal). Further details can be found in note 14.

#### Principal risks and uncertainties

The Group manages risk through its Risk Management Group (RMG) which meets formally each quarter to assess and update those risks and uncertainties facing the Group. It is chaired by the Director of Risk and attended by the CFO, HR Director, MD of Managed Ops, Director of IT, Business Unit Director of Managed Ops, Group General Counsel, Director of Strategy and B2B, Director of Licensing, Director of Property Legal Compliance, Business Unit Director of Craft and other professional leaders, so is well represented across the business.

The RMG document their output on the Group's risk register. The Group currently has 17 risks deemed to be high, of which only five remain high once the RMG has considered controls in place and other mitigation factors. These five high gross risks at 25 September 2022 are:

- General economy
- Cyber security
- Energy supply
- Drink supply and distribution
- Funding liquidity and financial covenants

#### General economy

Risks to the Group's day-to-day trading include deterioration in consumer spending prompted by any downturn in the economy together with potential shifts in consumer spending patterns. The fundamental need for the UK consumer to socialise will always remain, however changes in consumer behaviour are often rapid. Therefore, there is a risk to market share if the Group is not positioned to quickly react to these changes. The Group's Segment Strategy teams, involving marketers, operators, and finance, meet regularly to ensure segments respond quickly.

Trading has returned to pre-Covid 19 levels since reopening last year, despite the impact of Omicron during the Christmas period. The Directors are confident of a successful winter trading period this year but remain cautious of further Government restrictions.

The hospitality industry is facing significant inflationary cost pressures across drink, food and wage lines as well as the impact of increased energy costs. The Group has agreed beer, food and distribution contracts with suppliers until 2024 and energy prices have been capped until March 2023. Where possible these effects have been mitigated by retail price rises. Staffing levels are closely monitored in the Managed business to ensure efficiency of staff rostering and manage labour costs.

## Strategic report (continued)

### Principal risks and uncertainties (continued)

#### Cyber security

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

#### Energy supply

The wholesale energy market remains fluid and with levels of unpredictability expected for the foreseeable future. The Government are supporting the energy sector as a whole until Spring 2023 at which point they will review. Stonegate have supply contracts in place for both gas and electricity for the next three years which enable the Group to forward purchase supply in the short term.

#### Drink supply and distribution

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

#### Funding liquidity and financial covenants

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

The Group's primary financial risks are to ensure that its debt is serviced, its financial covenants are achieved, investment plans are satisfied and working capital requirements are met. The Group's debt comprises borrowings in both sterling and euros and at both fixed and floating rates of interest. Floating rate debt is swapped to fixed rate wherever it is commercially sensible to do so. During the current period the Group has extended £23 million of its revolving facility agreement which was due to expire, for a further year to maturity in July 2023.

Within the Group's debt structure, there exists three main covenants that must be met and against which Management monitor and forecast performance. Two of the covenants relate to the securitised bonds and are tested and reported at each quarter end. The Debt Service Cover Ratio (DSCR) measures the ability of the securitised group to meet its debt service whilst the Net Worth covenant in the securitised group must be at least £300 million. The one other covenant relates to the RCF. This comprises a Consolidated Net Leverage Ratio that is tested quarterly whilst the RCF is more than 40% drawn. Further detail on these covenants can be found within note 22 to the accounts.

In addition, the Group maintains daily cash forecasting in order to monitor the liquidity of the Group and ensure it can meet liabilities as they fall due.

Stonegate's 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 Group expectations.

Further details of the financial risk management objectives and policies are set out in note 22.

## Strategic report (continued)

### Environmental, Social and Governance

#### Environmental factors

Stonegate is keen to make a positive contribution towards driving environmental change and preserving our world for future generations.

#### Waste and recycling matters

Waste disposal and recycling is an important issue in the pub and food industry. Stonegate partners with Olleco in the recycling of its used cooking oil in the managed business. Our used oil is refined into a range of products such as industrial oils and renewable fuels. In the 52 week period ended 25 September 2022 we collected 835,000 litres (2021: 468,000 litres) of used cooking oil, or 767 metric tonnes (2021: 431 tonnes). This is the equivalent of saving 2,777 tonnes of carbon (2021: 997 tonnes). The Group also continues to work with publicans by recycling oil with third parties where the used cooking oil is converted into biodiesel.

Stonegate works in partnership with Veolia Environmental Services for waste and recycling services across the Stonegate managed estate. Veolia provides four waste stream services to Stonegate covering general waste, mixed recycling, glass recycling and food recycling which assists us with reaching our zero waste to landfill target. Currently 99.99% is diverted from landfill and 68.08% is recycled. This is the equivalent saving 1.01m kg of carbon over the last 12 months. Craft Union are in the process of transferring from 1st Waste to Veolia where the same recycling targets will be driven, this change in service provider will be complete by the end of October 2022. Craft Union sites currently divert 96% waste from landfill and 72% is recycled.

#### Reducing energy consumption

Never has energy management been more important both from a cost and environmental perspective. We continue to manage our energy, working proactively with third parties helping us in the control of energy usage. We use smart meters to monitor and manage flow, to be as efficient as possible to help reduce consumption. We continue to undertake energy initiatives both operational and via capital investment, focussing on both the short and medium term. Work is also undertaken on Streamlined Energy & Carbon Reporting (SECR), as well as planning for the upcoming ESOS Phase 3 compliance. To support ESOS, we report on emissions from fuel combustion and the operation of our facilities which includes our offices, managed houses, company cars (Scope 1), and from our purchased electricity used during the period (Scope 2). We use strong operational controls, as defined in The Greenhouse Gas Protocol, A Corporate Accounting and Reporting Standard (Revised Edition), 2004. We remain active members of the Zero Carbon Forum, along with other key players in the hospitality industry. The forum works together to share best practice, build strategic partnerships, influence / empower, and define sector standards and approach. Being part of the forum, helps define and implement a credible and ambitious industry net zero strategy to drive sector wide change.

Energy use and the associated greenhouse gas emissions for the Group is set out below:

	2022 52 weeks	2021 52 weeks
Energy use – electricity (kWh)	154,863,435	101,690,420
Energy use – gas (kWh)	115,311,749	108,830,602
Energy use – vehicles (kWh)	4,494,944	2,266,725
Associated GHG emission (tCO <sub>2</sub> e) - electricity	29,925	21,592
Associated GHG emission (tCO <sub>2</sub> e) - gas	21,049	19,933
Associated GHG emission (tCO <sub>2</sub> e) – vehicles	1,109	568
Intensity ratio (kgCO <sub>2</sub> e/£ Revenue)	0.032330	0.052922

## **Strategic report** *(continued)*

### **Environmental, Social and Governance** *(continued)*

Our methodology aligns with Defra's Environmental reporting guidelines (2019) and uses the government's greenhouse gas reporting conversion factors (2019-22) to quantify emission.

#### *Water conservation*

Managed and Craft Union sites are on water self-supply where we work with Waterscan and wholesalers to ensure consumption remains as low as possible.

#### *Social*

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

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

All pub managers are 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 25" scheme, seeking proof of age for anyone appearing to be 25 years or under.

#### *Health and Safety*

As part of providing a fantastic experience to our customers, Stonegate is committed to a high standard of health and safety. Safety is one of our four pillars of how we operate and is a consideration in everything that the Group does. The Board and other senior management meet as part of the Risk Management Group on a frequent and regular basis discussing a wide range of business risks, of which many have a safety focus. Managed and Operator led sites are assessed and audited on a regular basis reviewing food safety, licensing, fire safety, external play area safety and hotel safety. The Risk Team control and support our managers and operators, supported by quarterly Area Manager checks. Stonegate works with an external partner to provide twice yearly audits as well as additional technical support. The small number of sites that are not attaining our expected standards, are monitored closely by senior management, and are supported to get back to the high standards we expect. This is achieved via extra training, visits, and reporting. Health and safety within leased and tenanted sites is the primary responsibility of the publican, however they have the support of the Group to help them, and it will be discussed at meetings held between Regional Managers and publicans if required.

#### *Social and community issues*

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 pandemic this support has been as strong as ever, with many pubs going above and beyond for their local communities through creating food hubs, providing meals to critical workers, running errands for those who are vulnerable or shielding.

We recognise our duty to operate the business in an ethical and responsible manner and remain committed to delivering socially responsibly. We aim to build sustainable businesses with a strategy that will continually evolve dependant on the needs of our customers and stakeholders. We encourage pubs from across the Group, no matter their location, format, or operating model, to engage and take an active role within their local community. We recognise our responsibility towards the promotion and management of a responsible drinking environment in all our pubs, working with the Government and enforcing bodies.

## Strategic report *(continued)*

### Environmental, Social and Governance *(continued)*

#### *Charitable activities*

During the period to 25 September 2022 our pubs have raised £233,000 (2021: £103,000) for several local and national charities, including the Motor Neurone Disease Association (MND). Stonegate Group was delighted to announce a charity partnership with MND in April 2022. At 25 September 2022 £139,000 had been raised for MND through a variety of fund raising activities; most of which have been spontaneously organised by individual teams. As well as raising significant funds for such a worthwhile cause, we also gain the benefit of increased engagement and collaboration through these fund-raising efforts. We envisage that the partnership with MND will continue throughout 2023, and we hope to raise £500,000 in total.

As a principle, any supplier gifts we receive are raffled on a regular basis and all proceeds are given to charity.

#### *Supporting our students*

Nationally, Stonegate gave £31,000 (2021: £17,000) in sponsorships to student unions and student sports clubs. Throughout the period we have also supported local football, netball, tennis and rugby teams across the UK.

#### *Employee Engagement*

To deliver the fantastic customer experience the Group strives for, it is important to attract, develop and retain the best employees for our managed pubs and our support centre, the best operators for our Craft Union and Vixen pubs and the best publicans for our leased and tenanted pubs. As well as comprehensive career and training programmes, we undertake succession planning and remuneration benchmarking to retain our best employees and offer a variety of training courses for our publicans.

Retaining engaged colleagues remains a critical part of our people strategy. Over the last year we have partnered with an external organisation to measure employee engagement on a frequent basis. We have now completed two surveys with them, the results of which tell us that our engagement levels are in line with our sector benchmark. We have significant strengths in the areas of goal setting and our people feeling that their work is meaningful. We have also used the platform to survey our Craft Union Operators and our Publicans. No benchmark data is available for these groups.

#### *Employee Wellbeing*

In October 2022 Stonegate Group launched a brand-new wellbeing portal to all its' employees, which is called 'Be You, Be well'. The portal is available via an app and has three individual components covering emotional wellbeing, financial wellbeing and physical wellbeing. The portal is designed both to provide materials for employees to access to gain information and support, and also to provide links to external bodies and organisation where professional support may be required. Stonegate has continued its partnership with the Licensed Trade Charity which provides employee assistance across the hospitality sector.

#### *Employee Learning & Development*

Stonegate operates a genuine meritocracy which compliments and amplifies our approach to diversity and inclusion.

Our award-winning career pathway for pub teams is called 'Albert's Theory of Progression' and is based around the character of Albert Einstein. Through a variety of courses, Albert's Theory of Progression can take a colleague from their induction into the business all the way through to an Area Manager role overseeing up to 20 pubs or bars. The Back of House (kitchen) career pathway is aligned to formal learning via Apprenticeships. There is also an equivalent programme for our support teams called AIMS (Albert's Interesting Map to Success).

Our career pathways contribute to our business both culturally and commercially. We now have 300 General Managers who have been promoted from within the business. We also measure retention rates across key roles and know that people who enrol into our career pathway are twice as likely to stay with the business.

## **Strategic report** *(continued)*

### **Environmental, Social and Governance** *(continued)*

#### *Equality and Diversity*

Stonegate is an equal opportunities employer committed to providing equal employment opportunities to all employees regardless of personal status and to prohibit all forms of discrimination. Our policy is to ensure no unlawful discrimination occurs in the recruitment and selection process on the grounds of sex, race, disability, age, sexual orientation, and religion or belief. Our selection decisions are based on objective, non-discriminatory, job-related criteria, consistently applied to all candidates.

The Group considers 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.

#### *Supplier Management*

Procurement activity is managed by a Purchasing Team who operate in accordance with agreed policies. Stonegate sources supplies from approved suppliers and business is conducted honestly, ethically and with respect for the rights and interests of the people with whom we do business. We expect honesty, openness and courtesy from all suppliers and their employees. We conduct business in accordance with responsible principles and we expect our suppliers to equally focus on issues such as pay, working hours, child labour, workers' rights, and representation. While we consider the risk of modern slavery or human trafficking taking place in our supply chain to be low, we do recognise the importance of combating slavery and human trafficking and the duty to tackle these issues.

#### *Allergens*

As a company, we are committed to providing information to our customers who suffer from allergies, so they can make informed choices when consuming our products. We provide allergen information on our websites and at site to help customers. We constantly review our training and food chain in making sure we offer the best customer experience.

#### *Sugar*

As a result of the soft drinks sugar tax levy, we continue to actively manage the number of sugary products on offer, complementing with healthier non-sugary alternatives. We continue to offer customers a wide range of products, appealing to all tastes.

### Governance

A strong approach to governance is in place with robust practice and process around areas including cyber security, commercial integrity, and wider Board governance.

#### *Anti-Bribery & Corruption*

The Group operates a full suite of policies and procedures to guard against bribery and corruption. Whilst we operate in an industry that is not believed to be especially prone to bad practices, the risks of bribery, corruption, fraud, or theft exist in every company. We are committed to conducting our business with the highest level of integrity. The Group encourages any reports of malpractice, illegal acts or omissions or matters of a similar nature by employees, former employees, contractors, publicans, suppliers, or advisors using mechanisms for reporting, and support the framework for protecting whistle-blowers who have a genuine concern about malpractice from victimisation, dismissal, or detriment.

#### *The Pubs Code*

The Group is committed to fair, transparent and lawful dealings with our publicans. The Pubs Code 2016 applies to the Group and all our tied publicans as we are the landlord of more than 500 tied pubs. The regulations define our obligations to our tied publicans and provide guidelines for processes governed by the Code. The Pubs Code is overseen by an independent Adjudicator.

**Strategic report** *(continued)*

*Tax*

Stonegate is tax domiciled in the UK. Being UK tax resident, we support the economic and social objectives of the UK Government. We are committed to conducting our tax affairs in a clear, fair, and transparent way, paying all employee; employer; corporation; VAT and other taxes due in the UK and do not have an aggressive tax planning strategy. The Group's tax strategy can be found on our website.

**Future Outlook**

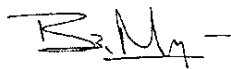
The Great British Pub continues to survive and thrive due to the British public's fundamental need for social interaction and even though during the pandemic, pubs, bars and clubs were mandatorily closed, the performance of the business post re-opening has shown the British pub, bar and club is at the heart of the British community and culture. At Stonegate, we have a clear vision to raise the bar on the British Pub by being the best for our people, customers and communities. Despite all the challenges of the last two years and the current economic outlook we are in a strong position across our different operating models and formats to deliver on our vision.

**Going Concern**

The financial statements have been prepared on the going concern basis. The statement headed "Going Concern" on page 31 sets out certain factors to the Directors' consideration in reaching this assessment.

**Approval**

The Directors' Strategic report was approved by the Board on 23 January 2023 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'B. Magnus', followed by a horizontal line.

**Brian Magnus**  
*Director*

## Directors' report

The Directors present their report together with the non-statutory financial statements for the 52 weeks ended 25 September 2022.

### Principal activities

The principal activity of the Group is the ownership and operation of licensed pubs and bars within the UK.

### Ownership

The immediate controlling party is Stonegate Pub Company Holdings Limited, a company that is owned by TDR Capital Stonegate L.P., an investment fund managed by TDR Capital LLP, a private equity management firm registered in the UK. TDR Capital LLP is a leading private equity firm with approximately €13 billion of committed capital. It invests in medium-sized, European businesses and partners with them to develop and grow their operations. TDR Capital LLP works in partnership with management to harness opportunities together through board representation and professional support.

Various investment funds managed by TDR Capital LLP incorporated Stonegate Pub Company Limited in August 2010 when it purchased 333 freehold and leasehold pubs and bars from Mitchells & Butlers plc and then went on to purchase the Town and City Pub Group Limited and Bay Restaurant Group Limited businesses in June 2011.

### Board of Directors

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

Manjit Dale – resigned 4 August 2022

Brian Magnus

Alhassan Elgazzar – appointed 4 August 2022

#### 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 over 25 years experience in private equity, leveraged finance and consulting. Previously Manjit was Managing Director and Head of DB Capital Partners Europe and predecessor firm BT Capital Partners, which he joined in 1994. He started his career in the Management Consultancy division of Arthur Andersen and moved into private equity in 1989 with 3i plc, and later with NM Rothschild. Manjit holds a Masters degree in Economics from Cambridge University.

#### Brian Magnus (Senior Partner at TDR Capital LLP)

Brian joined TDR Capital in September 2012. Prior to joining TDR, 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. Brian graduated from the University of Manchester with a degree in Management Sciences and qualified as a Chartered Accountant with Price Waterhouse.

#### Alhassan Elgazzar (TDR Capital LLP)

Alhassan joined TDR Capital in July 2014. Prior to joining TDR, he worked across a number of teams within the Investment Banking Division at Morgan Stanley. Alhassan graduated from the University of Edinburgh with a degree in Economics.

## **Directors' report** *(continued)*

### **Senior Management Team**

The Senior Management team that make up the Group's Operating Board at year end consisted of Ian Payne MBE (Chairman), Simon Longbottom (CEO), David Ross (CFO), Suzanne Baker (Commercial Director), Nick Andrews (Managing Director – L&T and Operator-led), Helen Charlesworth (Managing Director - Managed), Melissa Wisdom (Marketing Director), Tim Painter (HR Director), Daniel Wilkinson (Strategy and Business Development Director) and David Roberts (Property Director).

#### **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 awarded an MBE in 2018 for his services to the hospitality and pub industry. 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 40 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 Mitchells & Butlers plc. Simon Longbottom has taken the decision to step down from his role as Chief Executive Office at the end of February 2023. Simon will be succeeded as Chief Executive Office by David McDowall who was previously President and Chief Operating Officer of Brewdog, the independent craft beer, bar, venue and hospitality company. David is expected to join Stonegate Group at the end of January 2023 when he will work alongside Simon in order to facilitate an orderly handover.

#### **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 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 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.

#### **Suzanne Baker**

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

#### **Nick Andrews**

Nick joined Stonegate in June 2015 as Managing Director of the Traditional Pubs estate and was appointed to Integration Director and Managing Director for Craft Union in March 2020. Following successful integration, Nick took Managing Director responsibility for SGPP in June 2022. Nick was previously brand operations director at Mitchells & Butlers, where he worked for five years. Prior to that, he was Regional Director with Lloyds Banking Group for seven years. Nick originally joined the Bass PLC graduate program before progressing into roles with Bass Leisure Group and Holiday Inns, eventually becoming Director & General Manager of the O'Neill's pub chain.

#### **Helen Charlesworth**

Helen joined Stonegate in June 2016 as Managing Director for Branded Bars and became Managing Director – Managed in January 2020. She started her career in retail working her way through the ranks from a key worker on a Saturday to Regional Manager. Whilst studying to attain an MSc in TQM and Business Excellence, Helen moved into the hospitality sector where she held senior Director positions, namely at Pizza Express and latterly Managing Director at Your Move.

## **Directors' report** *(continued)*

### **Senior Management Team** *(continued)*

#### Melissa Wisdom

Melissa joined Stonegate Group in August 2021 as Operations Director responsible for the creation of our Premium Food Division and was then appointed Marketing Director in March 2022. Melissa graduated with a Law degree from Cambridge before embarking on a career in FMCG. She joined the Asda graduate scheme and has worked in roles across Purchasing, Commercial, Trade Marketing and Innovation. Melissa joined Stonegate Group from Diageo where she had held the role of Commercial Director since 2018, during this time she was listed in Management Today's 35 under 35 business leaders.

#### Tim Painter

Tim Painter is HR Director of Stonegate Pub Company Limited, responsible for the recruitment, training and development of the Group's 17,000 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.

#### Daniel Wilkinson

Daniel joined Stonegate in April 2015 and has served as Strategy and Corporate Affairs Director since April 2016. He was appointed Strategy, Legal and Business Development Director in March 2020. He is responsible for the strategic direction of our business and is the head of mergers and acquisitions activity within Stonegate. Daniel joined from the leased and tenanted division of Greene King, where he was a commercial director. He holds an MSc in physics and nuclear science from the University of Birmingham.

#### David Roberts

David Roberts joined Stonegate Pub Company Limited in November 2021 as Property Director. David's previous career predominantly focused on food retail, he spent 22 years working for the Co-op in a number of senior roles before becoming Managing Director of Property, overseeing the transformation of their food and corporate estate with responsibility for over 6,000 sites. During his time at Co-op David also established, and was Managing Director, for Co-op Power – a business to business green energy company.

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

### **Results and dividends**

The loss after tax was £194 million (2021: loss of £228 million).

The Group did not pay a dividend during the year (2021: £Nil) and the directors do not recommend the payment of a final dividend (2021: £Nil).

### **Political contributions**

The Group made no political donations or incurred any political expenditure during the year (2021: £Nil).

## Directors' report *(continued)*

### Section 172 Companies Act Statement

Stonegate's 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 25 September 2022:

- The likely consequences of any decision in the long term;
- The interests of the Company's employees;
- The need to foster the Company's business relationships with suppliers, guests and others;
- The impact of the Company's operations on the community and environment;
- The desirability of the Company maintaining a reputation for high standards of business conduct; and
- The need to act fairly between members of the Company.

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

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

- The Company's ultimate shareholder, who benefit from the success of the Company and therefore all business decisions are made by the Board so as to ultimately enhance the medium to long term value of the Company and Group;
- Group employees, who rely on the Group for regular income and job security;
- Customers, who come to the Group's pubs to enjoy drink and food in a safe and enjoyable atmosphere;
- Publicans, who expect to be treated fairly and consistently in their business dealings with us so that they can run successful businesses;
- 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; and
- Landlords, who rely on Stonegate for a stable and regular income for their properties.

There is a robust and transparent process in place to provide an appropriate level of direction and support in the identification, assessment and management of risks across all areas of the business which have the potential to seriously damage the financial position, the Company's responsibilities to our staff and guests, the Company's reputation and relationships with key stakeholders. Established communication cascade and mechanisms are in place for employees, suppliers and guests: 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. Additional information regarding the Group's engagement with stakeholders can be found throughout the Strategic Report.

**Directors' report** *(continued)*

**Wates Corporate Governance Principles**

The Company has applied the Wates Corporate Governance Principles for Large Private Companies ("the Principles") published by the Financial Reporting Council ("FRC") in December 2018 and available on the FRC website at [www.frc.org.uk/directors/corporate-governance-and-stewardship/governance-of-large-private-companies](http://www.frc.org.uk/directors/corporate-governance-and-stewardship/governance-of-large-private-companies). Set out below is how the board has applied the Principles during the year ended 25 September 2022.

**Principle 1 – Leadership and Purpose**

The purpose of the Company and Group is to own and operate pubs, bars and venues that are at the heart of the local community. The strategic objectives, vision of the Group and focus of the directors and senior leadership team can be found throughout the Strategic Report.

**Principle 2 – Board Composition**

The board members are discussed on page 14. The board members and senior leadership team collectively hold a balanced range of skills and expertise and work together effectively to deliver the Group's strategy.

**Principle 3 – Director Responsibilities**

The board received regular and timely information on all key aspects of the business including risks and opportunities, the financial performance of the business, strategy, operation 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 risks in order to create and preserve the long term value of the Group. The key risks and mitigations are outlined in the Strategic Report on pages 7 – 8.

**Principle 5 – Remuneration**

There was no remuneration or contributions to pension schemes paid for the statutory directors during the financial 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

The Group works to maintain good relationships with its Publicans and also works closely with its key suppliers and distribution partners to ensure good working relationships.

Employees

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

## **Directors' report** *(continued)*

### **Post balance sheet events**

Post balance sheet events are discussed further in note 31.

### **Going concern**

The financial statements have been prepared on a going concern basis although it is considered that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Please see note 1.2 for further information considered by the directors in reaching this conclusion.

### **Modern Slavery Act 2015**

In accordance with the requirements of the Modern Slavery Act, the Board has approved, and the Group has accordingly published its compliance statement on its website. This can be accessed at [www.stonegategroup.co.uk](http://www.stonegategroup.co.uk).

### **Guidelines for Disclosure and Transparency in Private Equity**

The Directors consider the annual report and financial statements to comply with all aspects of the Guidelines for Disclosure and Transparency in Private Equity.

### **Statement as to disclosure of information 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 auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### **Auditors**

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.

### **Approval**

The Directors report was approved by the Board on 23 January 2023 and signed on its behalf by:



**Brian Magnus**  
*Director*

3 Monkspath Hall Road  
Shirley  
Solihull  
B90 4SJ

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

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

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare both the group and the parent company financial statements in accordance with UK-adopted international accounting standards and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with UK-adopted international accounting standards;
- assess the group and parent 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 group or the parent 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 parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its 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 group and to prevent and detect fraud and other irregularities.

## **Independent auditor's report to the members of Stonegate Pub Company Pikco Holdings Limited**

### **Opinion**

We have audited the financial statements of Stonegate Pub Company Pikco Holdings Limited ("the Company") for the period ended 25 September 2022 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Parent Company Balance Sheet, Consolidated Statement of Changes in Equity, Parent Company Statement of Changes in Equity, Consolidated and Parent Company Cash Flow Statements, and related notes and related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 25 September 2022 and of the group's loss for the 52 week period then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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 group 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 1.2 to the financial statements which describes the uncertain future effect on trading as a result of the Covid-19 pandemic and in particular uncertainty regarding the substantial achievement of base case forecasts and, in downside scenarios the replacement of the scheduled reduction in facilities and the availability of such additional funding as may be needed. These events and conditions, along with the other matters explained in note 1.2, constitute a material uncertainty that may cast significant doubt on the group's and 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 stated above, they have concluded that a material uncertainty related to going concern exists.

Based on our financial statements audit work, we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

### **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, internal audit and members of the Operational Board and inspection of policy documentation as to the wider Group's high-level policies and procedures to prevent and detect fraud, including the wider Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.

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

- 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 Group management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates such as impairment of property, plant and equipment and valuation of investment property. On this audit we do not believe there is a fraud risk related to revenue recognition because within pub revenue the risk arising from site level fraud is limited due to the size of the estate and number of individual sites, and in relation to rental income each tenant has a signed contractual agreement that billing and collection is based on.

We did not identify any additional fraud risks.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of some of the Group-wide fraud risk management controls.

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 by senior finance management and those posted to unusual accounts.
- Assessing whether the judgements made in making accounting estimates are indicative of a 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.

Firstly, the Group and Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies 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 Group and 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: health and safety, data protection, anti-bribery, employment law, pubs code 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.

### **Independent auditor's report to the members of Stonegate Pub Company Pikco Holdings Limited (continued)**

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 20, 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 group and parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

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

**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.



**Mike Barradell (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
15 Canada Square  
London  
E14 5GL  
Date: 23 January 2023

**Consolidated Income Statement**  
**For the 52 weeks ended 25 September 2022**

	Notes	52 weeks ended 25 September 2022			Restated# 52 weeks ended 26 September 2021		
		Pre- exceptional items £m	Exceptional items* £m	Total £m	Pre- exceptional items £m	Exceptional items* £m	Total £m
<b>Revenue</b>	2	<b>1,611</b>		<b>1,611</b>	707		707
Other income	3	1	-	1	94	14	108
Operating costs before depreciation and amortisation		(1,139)	(8)	(1,147)	(658)	(6)	(664)
<b>EBITDA^</b>		<b>473</b>	<b>(8)</b>	<b>465</b>	143	8	151
Depreciation and impairment		(157)	(196)	(353)	(165)	67	(98)
Revaluation of investment property		-	1	1	-	3	3
Brand amortisation		(1)	-	(1)	(1)	-	(1)
Total depreciation, amortisation, impairment and revaluation		(158)	(195)	(353)	(166)	70	(96)
Profit on sale of non- current assets		-	6	6	4	-	4
<b>Operating profit / (loss)</b>		<b>315</b>	<b>(197)</b>	<b>118</b>	(19)	78	59
Finance income	6	1	1	2	-	-	-
Finance costs	7	(332)	-	(332)	(316)	9	(307)
Movement in fair value of warrants		(1)	-	(1)	(5)	-	(5)
Movement in fair value of swaps		33	-	33	(28)	-	(28)
<b>Profit / (loss) before taxation</b>		<b>16</b>	<b>(196)</b>	<b>(180)</b>	(368)	87	(281)
Taxation	9	(34)	20	(14)	101	(48)	53
<b>(Loss) / profit for the period</b>		<b>(18)</b>	<b>(176)</b>	<b>(194)</b>	(267)	39	(228)
<b>Attributable to:</b>							
Owners of the parent company		(18)	(176)	(194)	(266)	39	(227)
Non-controlling interests		-	-	-	(1)	-	(1)

\*Exceptional items are explained further in note 8.

^EBITDA represents Operating (loss) / profit before depreciation, amortisation, impairment, revaluation and profit on sale of non-current assets.

# Refer to note 1 for details of the restatement.

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

The notes on pages 31 to 87 form part of these financial statements.

**Consolidated Statement of Comprehensive Income**  
**For the 52 weeks ended 25 September 2022**

	<b>52 weeks ended 25 September 2022 £m</b>	<b>52 weeks ended 26 September 2021 £m</b>
<b>Loss for the period</b>	<b>(194)</b>	<b>(228)</b>
<b>Items that will not be reclassified to the income statement</b>		
Re-measurement of defined benefit pension schemes	(1)	(10)
Tax credit relating to components of other comprehensive income	-	1
Revaluation of assets on transfer to Investment Property	1	1
<b>Other comprehensive losses after tax</b>	<b>-</b>	<b>(8)</b>
<b>Total comprehensive loss for the period</b>	<b>(194)</b>	<b>(236)</b>

The notes on pages 31 to 87 form part of these financial statements.

**Consolidated Balance Sheet**  
**At 25 September 2022**

		25 September 2022	26 September 2021
	Notes	£m	£m
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	3,800	4,036
Investment property	11	212	161
Brand	13	2	3
Goodwill	13	197	242
Financial assets	18	4	4
Trade and other receivables	19	8	4
Retirement benefit surplus	27	1	1
		4,224	4,451
<b>Current assets</b>			
Inventories	17	22	21
Trade and other receivables	19	80	101
Cash and cash equivalents		133	224
Financial assets	18	1	3
Derivative financial instruments	22	2	-
		238	349
Non-current assets held for sale	12	19	21
<b>Total assets</b>		<b>4,481</b>	<b>4,821</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	20	(344)	(421)
Borrowings	21	(159)	(191)
		(503)	(612)
<b>Non-current liabilities</b>			
Borrowings	21	(4,210)	(4,228)
Derivative financial instruments	22	(8)	(37)
Deferred tax liabilities	16	(77)	(64)
Retirement benefit obligations	27	(9)	(11)
Provisions	23	(6)	(6)
		(4,310)	(4,346)
<b>Total liabilities</b>		<b>(4,813)</b>	<b>(4,958)</b>
<b>Net assets</b>		<b>(332)</b>	<b>(137)</b>
<b>Equity</b>			
Called up share capital	24	-	-
Share premium	24	999	999
Merger reserve	24	(108)	(108)
Revaluation reserve	24	2	1
Capital contribution reserve	24	2	1
Retained earnings		(1,224)	(1,026)
<b>Total equity attributable to owners of the parent company</b>		<b>(329)</b>	<b>(133)</b>
<b>Non-controlling interests</b>		<b>(3)</b>	<b>(4)</b>
<b>Total equity</b>		<b>(332)</b>	<b>(137)</b>

The notes on pages 31 to 87 form part of these financial statements.

These financial statements were approved by the board of directors on 23 January 2023 and were signed on its behalf by:



**Brian Magnus**

Director

Company registered number: 12086428

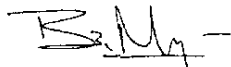
**Parent Company Balance Sheet**  
**At 25 September 2022**

		25 September 2022	26 September 2021
	Notes	£m	£m
<b>Assets</b>			
<b>Non-current assets</b>			
Investments	15	1,035	1,035
		1,035	1,035
<b>Current assets</b>			
Trade and other receivables	19	14	14
		14	14
<b>Total assets</b>		<b>1,049</b>	<b>1,049</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	20	(14)	(14)
Borrowings		-	-
		(14)	(14)
<b>Non-current liabilities</b>			
Borrowings		-	-
		-	-
<b>Total liabilities</b>		<b>(14)</b>	<b>(14)</b>
<b>Net assets</b>		<b>1,035</b>	<b>1,035</b>
<b>Equity</b>			
Called up share capital		-	-
Share premium		999	999
Other reserves		36	36
Retained earnings		-	-
<b>Total equity attributable to owners of the parent company</b>		<b>1,035</b>	<b>1,035</b>

The notes on pages 31 to 87 form part of these financial statements.

The Company reported a profit for the 52 weeks ended 25 September 2022 of £Nil (2021: profit of £Nil).

These financial statements were approved by the board of directors on 23 January 2023 and were signed on its behalf by:



**Brian Magnus**

Director

Company registered number: 12086428

**Consolidated Statement of Changes in Equity**  
**For the 52 weeks ended 25 September 2022**

	Share capital £m	Share premium £m	Revaluation reserve £m	Capital contribution reserve £m	Merger reserve £m	Retained earnings £m	Equity attributable to owners of the Parent Company £m	Non-controlling interests £m	Total equity £m
<b>Total equity at 26 September 2021</b>	-	999	1	1	(108)	(1,026)	(133)	(4)	(137)
<b>Total comprehensive income / (losses):</b>									
Losses for the period	-	-	-	-	-	(194)	(194)	-	(194)
Other comprehensive income / (losses) for the period	-	-	1	-	-	(1)	-	-	-
<b>Total comprehensive losses for the period</b>	-	-	1	-	-	(195)	(194)	-	(194)
Change in ownership interest in subsidiary undertaking	-	-	-	-	-	(3)	(3)	1	(2)
Capital contribution	-	-	-	1	-	-	1	-	1
<b>Total equity at 25 September 2022</b>	-	999	2	2	(108)	(1,224)	(329)	(3)	(332)
<b>Total equity at 27 September 2020</b>	-	999	-	-	(108)	(790)	101	(3)	98
<b>Total comprehensive income / (losses):</b>									
Losses for the period	-	-	-	-	-	(227)	(227)	(1)	(228)
Other comprehensive income / (losses) for the period	-	-	1	-	-	(9)	(8)	-	(8)
<b>Total comprehensive income / (losses) for the period</b>	-	-	1	-	-	(236)	(235)	(1)	(236)
Capital contribution	-	-	-	1	-	-	1	-	1
<b>Total equity at 26 September 2021</b>	-	999	1	1	(108)	(1,026)	(133)	(4)	(137)

The notes on pages 31 to 87 form part of these financial statements.

**Parent Company Statement of Changes in Equity**  
**For the 52 weeks ended 25 September 2022**

	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total equity £m
<b>Total equity at 26 September 2021</b>	-	999	36	-	1,035
<b>Total comprehensive income:</b>					
Profit for the period	-	-	-	-	-
Other comprehensive income for the period	-	-	-	-	-
<b>Total comprehensive income for the period</b>	-	-	-	-	-
<b>Total equity at 25 September 2022</b>	-	999	36	-	1,035
<b>Total equity at 27 September 2020</b>	-	999	36	-	1,035
<b>Total comprehensive income:</b>					
Profit for the period	-	-	-	-	-
Other comprehensive income for the period	-	-	-	-	-
<b>Total comprehensive income for the period</b>	-	-	-	-	-
<b>Total equity at 26 September 2021</b>	-	999	36	-	1,035

The notes on pages 31 to 87 form part of these financial statements.

**Consolidated Cash Flow Statement**  
**For the 52 weeks ended 26 September 2022**

	<b>52 weeks ended 25 September 2022 £m</b>	<b>52 weeks ended 26 September 2021 £m</b>
<b>Cash flows from operating activities</b>		
Loss for the period	(194)	(228)
Adjustments for:		
-Depreciation, amortisation and impairment	353	96
-Profit on sale of non-current assets	(6)	(4)
-Finance income	(2)	-
-Finance costs	332	307
-Movement in swaps	(33)	28
-Movement in warrants	1	5
-UK income tax charge / (credit)	14	(53)
	465	151
Changes in:		
-Inventories	(1)	(4)
-Receivables	4	(4)
-Payables	(64)	48
-Difference between pension contributions paid and amounts recognised in operating profit	(4)	(5)
<b>Cash generated from operating activities</b>	<b>400</b>	<b>186</b>
Interest received	2	-
<b>Net cash flow from operating activities</b>	<b>402</b>	<b>186</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(140)	(53)
Net proceeds from sale of property, plant and equipment	46	66
Loan made to group undertaking	(4)	-
<b>Net cash flow from investing activities</b>	<b>(98)</b>	<b>13</b>
<b>Cash flows from financing activities</b>		
Interest paid	(302)	(309)
Advance of borrowings	190	485
Repayment of borrowings	(221)	(413)
Transaction costs related to loans and borrowings	-	(14)
Payment of principal portion of lease liabilities	(60)	(18)
Payment for non-controlling interest in subsidiary undertaking	(2)	-
<b>Net cash flow from financing activities</b>	<b>(395)</b>	<b>(269)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(91)</b>	<b>(70)</b>
Opening cash and cash equivalents	224	294
<b>Closing cash and cash equivalents</b>	<b>133</b>	<b>224</b>

**Parent Company Cash Flow Statement**  
**For the 52 weeks ended 26 September 2022**

The Company does not have a bank account and therefore no cash flow statement has been prepared.

The notes on pages 31 to 87 form part of these financial statements.

## Notes to the consolidated financial statements

### 1 Accounting policies

Stonegate Pub Company PIKCO Holdings Limited (the "Company") is a company incorporated by shares and domiciled in England and Wales, registration number 12086428. The registered office is 3 Monkspath Hall Road, Shirley, Solihull, B90 4SJ.

The group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group") for the 52 week period ended 25 September 2022. The parent company financial statements present information about the Company as a separate entity and not about its group for the 52 week period ended 25 September 2022. The presentation currency of these financial statements is sterling.

Both the parent company financial statements and the group financial statements have been prepared and approved by the directors in accordance with UK-adopted international accounting standards ("UK-adopted IFRS"). On publishing the parent company financial statements here together with the group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements.

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

The Company's profit after tax for the period was £nil.

#### Prior period adjustment

A prior period restatement has been recorded to correct the mapping of a consolidation journal in the prior period. The impact of the correction for the 52 weeks ended 26 September 2021 is a reduction to pre-exceptional revenue of £7 million to £707 million and a reduction to pre-exceptional operating costs of £7 million to £658 million. There is no net impact on EBITDA or on any other primary statements.

#### 1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: financial liabilities (including derivatives) measured at fair value and investment property. Non-current assets held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

#### 1.2 Going concern

The macroeconomic environment continues to have a significant impact on the Group. Although the impact of COVID-19 has lessened more recently, the cost of living crisis in the United Kingdom has led to lower profit and operating cashflows than would otherwise have resulted had these conditions not existed.

The financial position of the Group is set out in the Consolidated Balance Sheet on page 27 which shows net liabilities of £332 million (2021: £137 million). During the 52 weeks ended 25 September 2022 the Group has experienced a net cash outflow of £91 million (52 weeks ended 26 September 2021: net cash outflow of £70 million) which was driven by all debts that were held during Covid-19 closure periods now having been repaid and the negative impact the Omicron variant had on the festive trading period in December 2021.

The Group has continued to meet its day-to-day working capital requirements through its standard trading cycle of cash generation when sites are open, charging and collecting rents from publicans and its overdraft facility of £25 million and revolving credit facility of £198 million. The continued availability of the revolving credit facility is subject to compliance with covenants (see note 22). The Directors consider that this is a normal feature of trading in this industry. In the managed business, customers pay by cash or card at the point of sale, resulting in minimal credit risk, whilst in the leased and tenanted business, the Group has a dedicated credit control function, who are able to manage the credit risk exposure. The Group typically operates with net current liabilities (25 September 2022: £265 million; 26 September 2021: £263 million net current liabilities).

**Notes (continued)**

**1 Accounting policies (continued)**

**1.2 Going concern (continued)**

At the balance sheet date, the Group was financed by external debt totalling £3,557 million (26 September 2021: £3,610 million), of which an amount of £534 million related to the Unique securitisation is subject to covenants that are tested quarterly and, if breached, would result in the debt becoming repayable on demand. The Group was compliant with all covenants both at the year end and the December 2022 test dates. Details of the debt facilities are set out in note 22.

The Board have reviewed the cash flow forecasts for the Company and the Group for the period through to July 2024 ("the going concern assessment period"). This period incorporates at least 12 months from the date of signing these financial statements and incorporates the semi-annual interest payment due in July 2024.

The base case forecasts reviewed by the Board reflect levels of trade across the Group in line with pre-Covid levels, sales price increases below inflation, labour cost rises to ensure the Group remains paying at least National Living Wage and certain out of contract cost price increases. Utilities are assumed to be double the level of the prior year as the Group's fixed price contract ended. These forecasts also assume that the Group scales back its conversion and expansionary capital expenditure program in order to prudently preserve cash to deal with cost headwinds. These forecasts remove £55 million of anticipated capital expenditure during FY23. The base case also assumes that the £23 million of RCF tranche due to expire in July 2023 is extended for at least another year, in line with the position previously agreed with lenders.

As well as the base case forecasts indicating that there is sufficient liquidity in the Group, the forecasts also indicate that there are no breaches to covenants within either the Group's revolving credit facility nor the Unique securitisation.

The Board has also considered a severe but plausible scenario incorporating a 5% reduction in retail sales volumes from the cost-of-living crisis within its Managed and Operator-led segments and an additional 50% increase in utility costs from part-way through FY24. It has been assumed that variable costs move in line with the reduction in sales.

The severe but plausible forecasts indicate that the Group would require additional funding in July/August 2023 and January/February 2024 in order to continue to meet its liabilities as they fall due.

In addition, the severe but plausible forecasts indicate a breach in the RCF covenant at the July 2023 test date resulting in the facility becoming repayable on demand. The Group currently has no plans to negotiate any further waivers with the RCF lenders, but if it needed to, they have been supportive already and the Directors are confident they would be supportive again if required. In the absence of such waivers, the directors are confident that they could employ appropriate mitigating actions, such as scaling back the capital expenditure program further. However, the Group would nonetheless require additional funding even if mitigating actions within its control were implemented.

Based on the above, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, the future uncertain trading environment, the need in the base case to renew £23 million of the RCF and, in downside scenarios, the availability of additional funding and the agreement of lenders to further waivers of RCF covenant breaches indicate that a material uncertainty exists that may cast significant doubt on the Company and Group's ability to continue as a going concern for the going concern assessment period, and therefore that the Company and Group may be unable to realise their assets and discharge their liabilities in the normal course of business. These financial statements do not contain the adjustments that would result if the Company and Group were unable to continue as a going concern.

**Notes (continued)**

**1 Accounting policies (continued)**

**1.3 Basis of consolidation**

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity in those subsidiaries. Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

**1.4 Financial instruments**

*Recognition and initial measurement*

Trade receivables and debt securities issued are initially recognised when they originate. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

*Classification and subsequent measurement*

*Financial assets*

*(a) Classification*

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVOCI") – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

**Notes (continued)**

**1 Accounting policies (continued)**

**1.4 Financial instruments (continued)**

*(b) Subsequent measurement and gains and losses*

*Financial assets at FVTPL* - these assets (other than derivatives designated as hedging instruments) are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

*Financial assets at amortised cost* - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

*Debt investments at FVOCI* - these assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

*Equity investments at FVOCI* - these assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

**Financial liabilities and equity**

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Group 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 Group; and
- (b) where the instrument will or may be settled in the Group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Group's own equity instruments or is a derivative that will be settled by the Group 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 Group'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.

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss.

**Notes (continued)**

**1 Accounting policies (continued)**

**1.4 Financial instruments (continued)**

When borrowings are refinanced the Group 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 or as a substantial modification, 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 and the new borrowings are recognised at fair value. If the refinanced borrowings are accounted for as a non-substantial modification, a gain or loss is recognised at the time of the non-substantial modification (to the extent that there is a change in the expected amount or timing of payments of interest and principal). The gain or loss is calculated as the difference between the present value of the cash flows (excluding fees) under the original and modified terms discounted at the original effective interest rate. Any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining life of the modified loan.

**Derivative financial instruments**

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

**1.5 Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

- right-of-use assets are depreciated over their lease lives;
- freehold properties are depreciated to their estimated residual values over 50 years;
- leasehold properties and improvements are depreciated over the shortest of 50 years, their estimated useful lives and their remaining lease periods;
- long-life landlords' fixtures and fittings are depreciated over 5 to 30 years;
- retail, administration and short-life landlords' furniture, fixtures, fittings and equipment are depreciated over 3 to 15 years.

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

The Group capitalises employment costs and related personal expenses of individuals whose job roles are fundamentally associated with managing or implementing the Group's capital development programme. Judgement is therefore applied in determining the element of internal labour costs which are directly attributable to capital projects. Where such an individual undertakes non-capital expenditure related activities as part of their job roles then a proportion of their cost is not capitalised unless the non-capital expenditure related activities are incidental to their role.

**Notes (continued)**

**1 Accounting policies (continued)**

**1.6 Investment property**

The Group 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.

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

**1.7 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 dispose. The fair value less costs to dispose is based on the net estimated realisable disposal proceeds (ERV) which is derived from internal valuations when the property is transferred to non-current assets held for sale and then sense checked with third party property agents who have been engaged to sell the properties.

Licensed land and buildings, investment property and right-of-use assets are classified as held for sale when they have been identified for disposal by the Group. 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 property 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 right of use 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.

**1.8 Business combinations**

Subject to the transitional relief in IFRS 1, all business combinations are accounted for by applying the acquisition method. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

*Acquisitions post transition date*

For acquisitions on or after 26 September 2011, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree, if any; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred. Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

**Notes (continued)**

**1 Accounting policies (continued)**

**1.9 Intangible assets and goodwill**

*Goodwill*

Goodwill represents the excess of consideration over the fair value of identifiable assets and liabilities acquired in a business combination. Goodwill is not amortised but is tested for impairment annually, or more frequently where events or changes in circumstances indicate that the carrying value may be impaired. Goodwill is stated at cost less any impairment. At 25 September 2022 the goodwill has been allocated to the operating segments described in note 2. For the purpose of impairment testing, goodwill is allocated to cash generating units that are consistent with the Group's operating segments. As properties move between segments the associated goodwill will also be transferred.

*Brand*

Brand intangible assets recognised on acquisition are amortised on a straight-line basis over their estimated useful lives of 10 years.

**1.10 Leases**

*As a lessee*

The Group leases properties and vehicles.

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

For all other leases where it is the lessee the Group 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 Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

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

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

For rent concessions in leases the Group 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 Group'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.

**Notes (continued)**

**1 Accounting policies (continued)**

**1.10 Leases (continued)**

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 Group 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 Group'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*

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone price. When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group 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 Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

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

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

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

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

*Lease acquired in a business combination*

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

**Notes (continued)**

**1 Accounting policies (continued)**

**1.11 Inventories**

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price less any costs of disposal. Cost is calculated using the first in first out method.

**1.12 Trade receivables and trade payables**

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

Trade payables are held at amortised cost.

**1.13 Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

**1.14 Impairment excluding inventories and deferred tax assets**

*Financial assets (including receivables)*

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

*Non-financial assets*

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

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

**Notes (continued)**

**1 Accounting policies (continued)**

**1.14 Impairment excluding inventories and deferred tax assets (continued)**

The Group considers each of its individual pubs as a cash-generating unit. Each CGU is reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable or for impairment reversals. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell or value in use. Where fair value is used this is based on known sales proceeds or an external valuation. Any changes in outlet earnings or cash flows, the discount rate applied to those cash flows and fair value could give rise to an additional impairment loss.

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

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

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

**1.15 Employee benefits**

*Defined contribution plans*

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

*Defined benefit plans*

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

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid. Re-measurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Group recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

**Notes (continued)**

**1 Accounting policies (continued)**

**1.15 Employee benefits (continued)**

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs. The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

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

*Short-term benefits*

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

*Share-based payment transactions*

Where the Group or Company's parent grants rights to its equity instruments to this Group or Company's employees, which are accounted for as equity-settled in the consolidated accounts of the parent, the Group or Company as the case may be account for these share-based payments as equity-settled. As the shares to be given to the employees are not the Group or Company's own equity instruments and have been effectively paid for by the parent entity, the Group or Company recognises a share-based payment expense in its income statement and an associated capital contribution in equity from its parent.

The fair value of share-based payments awards at the date of grant is recognised as an employee expense, with a corresponding increase in equity as stated above, over the period that the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured using an option valuation model, taking into account the terms and conditions upon which the awards were granted.

**Notes (continued)**

**1 Accounting policies (continued)**

**1.16 Provisions**

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

A provision for onerous leases is made for non-trading sites closure costs.

**1.17 Revenue**

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 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.

**Leased and tenanted**

*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 at which point physical possession is passed and the publican takes control of the product, obtaining the significant risks and rewards of ownership. 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 the Group's share of the net income earned from machines in the Group's properties. The revenue is recognised in the period to which the sale relates.

**Managed**

*Drink revenue* – Drink revenue is earned from retail sale of drinks to customers and is recognised at the point of delivery.

*Food revenue* – Food revenue is earned from retail sale of food to customers and is recognised at the point of delivery.

*Revenue from amusement and other machines* – Amusement machine income represents the income earned from machines in our managed properties. The revenue is recognised in the period to which the sale relates.

*Admission, accommodation and other revenue* – Other revenue includes admission and accommodation income and is recognised at the point of delivery.

**Operator-led**

*Drink revenue* – Drink revenue is earned from retail sale of drinks to customers and is recognised at the point of delivery.

*Food revenue* – Food revenue is earned from retail sale of food to customers and is recognised at the point of delivery.

*Revenue from amusement and other machines* – Amusement machine income represents the income earned from machines in our managed properties. The revenue is recognised in the period to which the sale relates.

*Admission, accommodation and other revenue* – Other revenue includes admission and accommodation income and is recognised at the point of delivery.

**Notes (continued)**

**1 Accounting policies (continued)**

**1.18 Government Grants**

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

**1.19 Supplier incentives**

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

**1.20 Taxation**

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

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

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

**1.21 Exceptional items**

The Group presents separately on the face of the income statement those material items of income and expense which are outside of the normal course of trading, which management consider will distort comparability, in order to provide a trend measure of underlying performance. This includes the profit / (loss) on sale of property, movements in the valuation of investment properties and the impairment of property, plant and equipment and goodwill which do not directly result from the underlying trading performance of the Group and are not in their direct control, and therefore have been categorised as exceptional items. These costs are discussed further in note 8.

**Notes (continued)**

**1 Accounting policies (continued)**

**1.22 Key accounting judgements and estimates**

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

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

**Key accounting judgements**

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

*Exceptional items*

During the period certain items are identified and separately disclosed as exceptional. Judgement is applied as to whether the item meets the necessary criteria as per the accounting policy disclosed. This assessment covers the nature of the item, cause of occurrence and the scale of impact of that item on reported performance. Note 7 provides information on all of the items disclosed as exceptional in the current and previous period.

*Going concern*

The directors exercise judgement when concluding on going concern as the basis of preparation of the financial statements. For further details see note 1.2.

**Key areas of estimation**

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

*Impairment of property, plant, equipment*

Property, plant and equipment is reviewed for impairment if there are any indicators to suggest that the carrying amount may not be recoverable. Recoverable amounts are determined based on value-in-use calculations and fair values. Where fair values have been used these are derived from known sales proceeds or an external valuation. Estimates and assumptions used in the value-in-use calculations are discussed in note 14.

Impairment losses recognised in prior periods are also assessed for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. Impairment is discussed further in note 14.

*Impairment of goodwill*

Goodwill is tested for impairment annually, or more frequently where events or changes in circumstances indicate that the carrying value may be impaired. Estimates and assumptions used in the value-in-use calculation are discussed in note 14.

*Valuation of investment properties*

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.

**Notes (continued)**

**1 Accounting policies (continued)**

**1.22 Key accounting judgements and estimates (continued)**

Investment properties are valued annually to fair value in accordance with the Appraisal and Valuation Manual published by the Royal Institute of Chartered Surveyors (RICS) and IFRS 13. The valuation is based on an assessment of the income generating potential of the properties and applying an appropriate multiple. The highest and best use for the property assets is assumed to be their current use by the Group, 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 Group'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 to access. Further information about the valuation of investment properties is provided in note 10 of these financial statements.

The valuation methodology uses an estimation of the fair maintainable trade (FMT) of a property 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 10.

**1.23 New accounting standards, amendments and interpretations adopted by the Group**

The following new standards, interpretations and amendments to standards are mandatory for the Group for the first time for the annual reporting period commencing 27 September 2021.

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
- Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)

**Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)**

The Phase 2 amendments provide practical relief from certain requirements in the standards. When the basis for determining the contractual cash flows of a financial instrument is changed as a direct consequence of interest rate benchmark reform and is made on an economically equivalent basis, the Phase 2 amendments provide a practical expedient to update the effective interest rate of a financial instrument before applying the existing requirements in the standards. The group has no variable lease payments that are linked to LIBOR.

**COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)**

The amendment extends the optional practical expedient for lessees not to treat eligible rent concessions that are a direct consequence of the COVID-19 coronavirus pandemic as lease modifications until 30 June 2022.

**1.24 Adopted IFRS not yet applied**

The following Adopted IFRSs have been issued but have not been applied by the Group in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- IFRS 17 Insurance Contracts (effective from 1 January 2023).
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (effective from 1 January 2023).
- Amendments to IAS 37: Onerous Contracts—Cost of Fulfilling a Contract (effective from 1 January 2022).
- Amendments to References to the Conceptual Framework in IFRS 3 (effective from 1 January 2022).
- Amendments to IAS 16: Property, Plant and Equipment—Proceeds before Intended Use (effective from 1 January 2022).
- Annual Improvements to IFRS Standards 2018-2020 (effective from 1 January 2022).
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to introduce a new definition for accounting estimates (effective from 1 January 2023).
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statements 2 Making Materiality Judgements (effective from 1 January 2023).
- Amendments to IAS 12 Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (effective from 1 January 2023).

**Notes (continued)**

**2 Segmental reporting**

The directors determine the appropriate operating segments based on the discrete management information regularly reviewed by the Chief Operating Decision Maker (CODM).

The Group has six distinguishable revenue generating operating segments being Pub Partners, Commercial Property, Stonegate, Craft Union, Joint Ventures and Vixen, and the CODM reviews discrete information on these segments. These have been aggregated into three reportable segments as outlined below:

- 1) Leased and tenanted comprising Pub Partners and Commercial Property – The Group receives rental income from leasing these sites to third parties. Revenue is also received from tied sites within Pub Partners for the supply of drinks and gaming machines. The Group has no direct involvement in the operation of each site.
- 2) Managed comprising Stonegate and Joint Ventures – The Group generates revenue from the sale of food, drink, admission, accommodation and gaming machine income. Each site is fully managed by the Group, such that the Group is exposed to all operational risks and in return receives the full retail margin.
- 3) Operator-led comprising Craft Union and Vixen – The Group receives revenue from the sale of food, drink, admission and gaming machine income. The Group contracts with an operating company to manage the day-to-day operations of the site for which they receive a turnover-based fee. All labour costs are borne by the operating company, with all other costs being borne by the Group. The Group has access to the full retail margin.

Central costs represent certain head office expenses which are not attributable to specific segments. Accordingly, these costs are disclosed as a separate column within the segmental notes.

The CODM reviews the financial results by segment to EBITDA, which represents operating profit / (loss) before depreciation, amortisation, impairment, revaluation, and profit on sale of non-current assets, and this therefore provides the basis for the disclosures below. Inter-segment revenues and costs are eliminated upon consolidation such that all numbers disclosed in the table below are with external customers.

All of the Group's revenue is generated in the United Kingdom and is not further segmented based on location, therefore no geographical segmental analysis has been provided. The balance sheet is not reviewed by the CODM on a segmented basis and therefore no disclosure has been made in relation to segmental assets and liabilities.

Notes (continued)

2 Segmental reporting

2022	Leased and tenanted	Managed	Operator-led	Central	Total
52 weeks	£m	£m	£m	£m	£m
Drink revenue	294	762	199	-	1,255
Rent revenue	113	-	-	-	113
Food revenue	-	157	2	-	159
Revenue from amusement and other machines	7	21	16	-	44
Admission, accommodation and other revenue	2	36	2	-	40
Total revenue	416	976	219	-	1,611
Other income	-	1	-	-	1
Operating costs before depreciation and amortisation	(166)	(712)	(162)	(107)	(1,147)
EBITDA	250	265	57	(107)	465
Depreciation and amortisation					(353)
Profit on sale of non-current assets					6
Net finance costs and movement in fair value of warrants and swaps					(298)
Loss before tax					(180)
Taxation					(14)
Loss after tax					(194)

2021	Restated# Leased and tenanted	Restated# Managed	Operator-led	Central	Restated# Total
52 weeks	£m	£m	£m	£m	£m
Drink revenue	162	296	80	-	538
Rent revenue	57	-	-	-	57
Food revenue	-	82	1	-	83
Revenue from amusement and other machines	3	6	4	-	13
Admission, accommodation and other revenue	6	9	1	-	16
Total revenue	228	393	86	-	707
Other income	-	84	5	19	108
Operating costs before depreciation and amortisation	(92)	(415)	(75)	(82)	(664)
EBITDA	136	62	16	(63)	151
Depreciation and amortisation					(96)
Profit on sale of non-current assets					4
Net finance costs and movement in fair value of swaps					(340)
Loss before tax					(281)
Taxation					53
Loss after tax					(228)

# Refer to note 1 for details of the restatement.

**Notes (continued)**

**3 Other income**

	<b>2022</b>	<b>2021</b>
	<b>52 weeks</b>	<b>52 weeks</b>
	<b>£m</b>	<b>£m</b>
Government grants	1	94
Business interruption insurance	-	14
<b>Total government grants</b>	<b>1</b>	<b>108</b>

During the period £1 million was recognised from government grants. In the 52 weeks ended 26 September 2021 £83 million was recognised in relation to the Coronavirus Job Retention Scheme and £11 million was recognised in relation to government grants.

Business interruption insurance proceeds of £14 million were received during the 52 weeks ended 26 September 2021.

**4 Expenses**

Included in operating profit / (loss) are the following expenses / (income):

	<b>2022</b>	<b>Restated#</b>
	<b>52 weeks</b>	<b>52 weeks</b>
	<b>£m</b>	<b>£m</b>
Drink and food costs	442	208
Employment costs	311	267
Other costs	394	189
Depreciation, amortisation and impairment	353	96
Profit on sale of non-current assets	(6)	(4)
<b>Costs / (gains) deducted from revenue to determine operating profit</b>	<b>1,494</b>	<b>756</b>

# Refer to note 1 for details of the restatement.

Included within the above costs is a cost of £197 million (2021: gain of £64 million) relating to exceptional items (see note 8).

**Auditor's remuneration**

Fees payable to the Company's auditors for the audit of the Group and subsidiary financial statements amount to £990,000 (2021: £835,000) and fees payable for audit-related assurance services is £Nil (2021: £100,000). Fees payable for tax advisory is £Nil (2021: £47,000) and fees for other corporate finance services are £Nil (2021: £30,000).

**Notes (continued)**

**5 Employees**

The average number of persons employed by the Group during the period, analysed by category, was as follows:

	<b>2022</b>	<b>2021</b>
	<b>52 weeks</b>	<b>52 weeks</b>
Head office administration <sup>1</sup>	<b>1,112</b>	940
Retail <sup>1</sup>	<b>17,205</b>	13,978
	<b>18,317</b>	14,918

<sup>1</sup> The employee numbers above relate to actual employees rather than full-time employee equivalents.

At the period end the Group had 19,114 employees (2021: 15,994 employees).

The aggregate payroll costs were as follows:

	<b>2022</b>	<b>2021</b>
	<b>52 weeks</b>	<b>52 weeks</b>
	<b>£m</b>	<b>£m</b>
Wages and salaries	<b>281</b>	245
Social security costs	<b>23</b>	16
Pension costs	<b>6</b>	5
Equity settled share based payment expense	<b>1</b>	1
	<b>311</b>	267

There was no remuneration or contributions to pension schemes paid for the statutory directors during the financial period.

**6 Finance income**

	<b>2022</b>	<b>2021</b>
	<b>52 weeks</b>	<b>52 weeks</b>
	<b>£m</b>	<b>£m</b>
Other interest receivable	<b>2</b>	-
<b>Total finance income</b>	<b>2</b>	-

**7 Finance costs**

	<b>2022</b>	<b>2021</b>
	<b>52 weeks</b>	<b>52 weeks</b>
	<b>£m</b>	<b>£m</b>
Interest payable on loan notes	<b>225</b>	212
PIK interest	<b>49</b>	43
Other interest payable	<b>5</b>	5
Debt issue costs amortisation	<b>1</b>	1
Refinancing costs	-	(8)
Other finance costs	<b>3</b>	5
Interest expense on lease liabilities	<b>49</b>	49
<b>Total finance costs</b>	<b>332</b>	307

Included in refinancing costs in the 52 weeks ended 26 September 2021 is a net gain of £9 million relating to exceptional items (see note 8).

Notes (continued)

8 Exceptional items

	2022 52 weeks £m	2021 52 weeks £m
<b>Operating exceptional costs / (gains)</b>		
Acquisition and integration costs	-	1
Business interruption insurance	4	(14)
Surrender premiums	3	1
Other costs	1	4
Movements in valuation of the estate and related assets	151	(70)
Impairment of goodwill	44	-
Profit on sale of non-current assets	(6)	-
	<b>197</b>	<b>(78)</b>
<b>Net finance income</b>	<b>(1)</b>	<b>(9)</b>
<b>UK income tax (credit) / charge relating to exceptional items</b>	<b>(20)</b>	<b>48</b>
<b>Total exceptional costs / (gains)</b>	<b>176</b>	<b>(39)</b>

**Acquisition and integration costs:** Acquisition and integration costs include items of one-off expenditure associated with business combinations together with the various integration and restructuring costs to successfully bring the acquisitions into the Group. In the 52 weeks ended 26 September 2021, a net £1 million of costs were incurred on integration following the acquisition of Ei Group Limited in March 2020.

**Business interruption insurance:** Following the closure of pubs as a result of Covid-19 the Group has received £14 million in the 52 weeks ended 26 September 2021 and incurred further costs of £4 million in the current period in relation to an insurance claim relating to business interruption during this period of closure.

**Surrender premiums:** During the period £3 million (52 weeks ended 26 September 2021: £1 million) of assignment premiums were paid to publicans in order to take the assignment of a lease or to break a lease at any point other than at renewal. Following the acquisition of Ei Group Limited, the Group are looking to review 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 exceptional.

**Other costs:** Other costs include £1 million of Covid-19-related landlord renegotiation costs. In the 52 weeks ended 26 September 2021 other costs of £4 million consist of £1 million of professional fees associated with Covid-19-related landlord renegotiations and a £3 million increase in health and safety provisions.

**Notes (continued)**

**8 Exceptional items (continued)**

**Movements in valuation of the estate, related assets and goodwill:** Movements in valuation of the estate, related assets and goodwill comprise the following:

	<b>2022</b>	2021
	<b>52 weeks</b>	52 weeks
	<b>£m</b>	<b>£m</b>
Impairment of property, plant and equipment (note 10)	<b>199</b>	42
Impairment of non-current assets held for sale (note 12)	<b>1</b>	1
Reversal of impairment of property plant and equipment (note 10)	<b>(55)</b>	(117)
Net movement from impairment / (reversal of impairment)	<b>145</b>	(74)
Movement in investment property from revaluation of the estate (note 11)	<b>(1)</b>	(3)
Revaluation of property, plant and equipment on transfer to investment property (note 10)	<b>7</b>	7
<b>Total movements in valuation of the estate and related assets</b>	<b>151</b>	(70)

**Impairment of goodwill:** Impairment of £44 million was recognised in the 52 weeks ended 25 September 2022 (2021: £Nil). Further details of this impairment charge can be found in note 14.

**Profit on sale of non-current assets:** 69 properties (2021: 110 properties) and various other plots of land with a book value of £46 million (2021: £65 million) and lease liability value of £8 million (2021: £4 million) were disposed of generating net proceeds of £46 million (2021: £66 million) after taking account of disposal costs. In accordance with IAS 36, £1 million (2021: £1 million) of goodwill was allocated to these disposals. Included in these disposals were two sites which were required to be disposed under the CMA guidelines following the acquisition of Ei Group Limited in March 2020 (two completed in the current period and 40 completed in the 52 weeks ended 26 September 2021). Also included in the profit on disposal was a charge for estimated dilapidation costs for certain properties of £1 million (2020: £Nil). This resulted in an overall profit of £6 million (2021: £4 million included in pre-exceptional items).

**Net finance income:** Included in the 52 weeks ended 25 September 2022 £1 million of interest was received from HMRC in relation to a repayment. A net finance gain of £9 million was recognised in the 52 weeks ended 26 September 2021. During the 52 week period ended 26 September 2021 the Group carried out a number of financing events which resulted in a gain of £11 million. Also included in finance costs in the 52 weeks ended 26 September 2021 are £2 million of fees related to an aborted refinancing project.

Notes (continued)

9 Taxation

	2022 52 weeks £m	2021 52 weeks £m
<b>Tax charged in the income statement</b>		
Current tax:		
- UK corporation tax	1	-
- Adjustments in respect of previous periods	-	-
<b>Total current tax charge</b>	<b>1</b>	<b>-</b>
Deferred tax:		
- Origination and reversal of temporary differences	(8)	(60)
- Adjustments in respect of previous periods	21	(8)
- Rate change	-	15
<b>Total deferred tax charge / (credit)</b>	<b>13</b>	<b>(53)</b>
<b>Total current and deferred tax charged / (credited) in the income statement</b>	<b>14</b>	<b>(53)</b>
	2022 52 weeks £m	2021 52 weeks £m
<b>Tax credited in other comprehensive income</b>		
Deferred tax:		
- Re-measurement of defined benefit pension schemes	-	(1)
<b>Total tax credit recognised in other comprehensive income</b>	<b>-</b>	<b>(1)</b>

The effective rate of tax is different to the full rate of corporation tax. The differences are explained below:

	2022 52 weeks £m	2021 52 weeks £m
Loss before tax	(180)	(281)
Tax at current UK corporation tax rate of 19% (2021: 19%)	(34)	(53)
Expenses not deductible for tax purposes	27	(7)
Impact of rate change	-	15
Adjustment in respect of previous periods	21	(8)
<b>Total tax charged / (credited) in the income statement</b>	<b>14</b>	<b>(53)</b>

In the 3 March 2021 Budget, it was announced that the UK tax rate will increase to 25% from 1 April 2023. This rate change was substantively enacted in the prior year to adjust deferred tax balances to 25%.

Notes (continued)

10 Property, plant and equipment

Group	Right-of-use assets £m	Land and buildings £m	Leasehold improvements £m	Landlords' fixtures and fittings £m	Furniture, fixtures and equipment £m	Non-licensed properties and other assets £m	Total £m
<b>Cost</b>							
At 27 September 2020	1,003	3,094	180	197	288	62	4,824
Additions	-	18	3	7	20	5	53
Modifications	8	-	-	-	-	-	8
Fair value on transfer to investment properties:							
-Revaluation reserve	-	1	-	-	-	-	1
-Income statement	-	(7)	-	-	-	-	(7)
Disposals	(10)	-	(4)	-	(11)	-	(25)
Transfer to non-current assets held for sale (note 12)	-	(29)	-	(3)	-	-	(32)
Transfer to investment properties (note 11)	(4)	(35)	-	(1)	-	-	(40)
Fully depreciated assets	-	-	-	-	(56)	-	(56)
At 26 September 2021	997	3,042	179	200	241	67	4,726
Additions	-	61	9	17	45	14	146
Modifications	19	-	-	-	-	-	19
Fair value on transfer to investment properties:							
-Revaluation reserve	-	1	-	-	-	-	1
-Income statement	-	(7)	-	-	-	-	(7)
Disposals	(8)	(3)	(1)	(2)	(14)	-	(28)
Transfer to non-current assets held for sale (note 12)	(1)	(34)	-	(3)	-	-	(38)
Transfer to investment properties (note 11)	(8)	(50)	-	(2)	-	-	(60)
Fully depreciated assets	-	-	-	-	(30)	-	(30)
<b>At 25 September 2022</b>	<b>999</b>	<b>3,010</b>	<b>187</b>	<b>210</b>	<b>242</b>	<b>81</b>	<b>4,729</b>
<b>Depreciation</b>							
At 27 September 2020	(91)	(342)	(59)	(14)	(151)	(19)	(676)
Charge for the period	(64)	(14)	(12)	(19)	(46)	(10)	(165)
Impairment charge (note 14)	(2)	(40)	-	-	-	-	(42)
Impairment reversal (note 14)	6	107	3	-	1	-	117
Disposals	3	-	3	-	7	-	13
Transfer to non-current assets held for sale (note 12)	-	7	-	-	-	-	7
Reclassification of impairment charge	-	7	(7)	-	-	-	-
Fully depreciated assets	-	-	-	-	56	-	56
At 26 September 2021	(148)	(275)	(72)	(33)	(133)	(29)	(690)
Charge for the period	(61)	(14)	(12)	(19)	(41)	(10)	(157)
Impairment charge (note 14)	(32)	(162)	(5)	-	-	-	(199)
Impairment reversal (note 14)	7	47	1	-	-	-	55
Disposals	1	1	1	1	8	-	12
Transfer to investment properties (note 11)	-	10	-	-	-	-	10
Transfer to non-current assets held for sale (note 12)	-	10	-	-	-	-	10
Fully depreciated assets	-	-	-	-	30	-	30
<b>At 25 September 2022</b>	<b>(233)</b>	<b>(383)</b>	<b>(87)</b>	<b>(51)</b>	<b>(136)</b>	<b>(39)</b>	<b>(929)</b>
<b>Net book value</b>							
At 25 September 2022	766	2,627	100	159	106	42	3,800
At 26 September 2021	849	2,767	107	167	108	38	4,036

Notes (continued)

11 Investment property

Group	Right-of-use assets £m	Land and buildings £m	Total £m
<b>Fair value</b>			
At 27 September 2020	20	104	124
Transfer from property, plant and equipment (note 10)	4	36	40
Transfer to non-current assets held for sale (note 12)	-	(6)	(6)
Revaluation	(1)	4	3
At 26 September 2021	23	138	161
Transfer from property, plant and equipment (note 10)	8	42	50
Transfer to non-current assets held for sale (note 12)	-	(1)	(1)
Revaluation	(1)	2	1
Modifications	1	-	1
<b>At 25 September 2022</b>	<b>31</b>	<b>181</b>	<b>212</b>

Properties held as investment property are measured at fair value reflecting market conditions at the balance sheet date. Investment properties 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. Valuations are carried out on an annual basis at each period end date. The Group's properties were valued as at 25 September 2022 by GVA Grimley Limited (t/a Avison Young) and Colliers International Property Advisers UK LLP, independent Chartered Surveyors.

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.

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.

All valuations of assets have been assessed as being level 3 valuations, as there are no directly comparable market observable inputs. All classes of asset are, under IFRS 13, required to be valued at highest and best use. IFRS 13 prescribes that the Group'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 investment properties has been assessed as their existing use.

**Notes (continued)**

**11 Investment property (continued)**

The table below presents the income and multiple bandings within which the investment 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 Group 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.

Income bandings	Total number	Multiple applied to income				
		over 16 times	14 - 16 times	12 - 14 times	10 - 12 times	under 10 times
At 25 September 2022						
more than £90,000 per annum	26	-	3	12	7	4
£60,000 to £90,000 per annum	88	3	13	36	25	11
less than £60,000 per annum	99	8	23	27	20	21
	213	11	39	75	52	36
At 26 September 2021						
more than £90,000 per annum	22	-	1	14	6	1
£60,000 to £90,000 per annum	73	3	15	35	11	9
less than £60,000 per annum	78	4	7	32	18	17
	173	7	23	81	35	27

**Sensitivity analysis table**

The significant unobservable inputs used in the fair value measurement categorised within level 3 of the fair value hierarchy of the Group's investment properties 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 investment properties. Sensitivities around these assumptions that are deemed to be reasonably likely based on the experience of the valuers are illustrated below:

	<b>2022</b> <b>52 weeks</b> <b>£m</b>	<b>2021</b> <b>52 weeks</b> <b>£m</b>
<b>FMT sensitivity</b>		
+2.5%	<b>4</b>	<b>4</b>
-2.5%	<b>(4)</b>	<b>(4)</b>
<b>Multiple sensitivity</b>		
+0.25	<b>3</b>	<b>3</b>
-0.25	<b>(3)</b>	<b>(3)</b>

Notes (continued)

12 Non-current assets held for sale

Group	Lease liabilities £m	Right-of-use assets £m	Land and buildings £m	Landlords' fixtures and fittings £m	Furniture, fixtures and equipment £m	Total £m
At 27 September 2020	(5)	7	39	1	2	44
Transfer from property, plant and equipment (note 10)	-	-	22	3	-	25
Transfer from investment properties (note 11)	-	-	6	-	-	6
Impairment (note 14)	-	-	(1)	-	-	(1)
Disposals	4	(4)	(53)	2	(2)	(53)
At 26 September 2021	(1)	3	13	6	-	21
Transfer from property, plant and equipment (note 10)	-	1	24	3	-	28
Transfer from investment properties (note 11)	-	-	1	-	-	1
Impairment (note 14)	-	-	(1)	-	-	(1)
Disposals	1	(1)	(30)	-	-	(30)
At 25 September 2022	-	3	7	9	-	19

Non-current assets held for sale comprises properties that have been identified by the Group 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.

When assets are identified for disposal and meet the criteria within IFRS 5 they are reclassified from property, plant and equipment to non-current assets held for sale and are revalued at that point to their estimated fair value less costs to dispose if this is lower than their carrying value. Investment property assets are also moved to non-current assets held for sale at book value when they meet the criteria within IFRS 5.

Included in non-current assets held for sale are 36 sites (26 September 2021: 42 sites). Of the 42 sites held at 26 September 2021, two sites were among those identified by the CMA as sites which are to be disposed following the acquisition of Ei Group Limited by the Group. During the period the Group has completed on the remaining two CMA sites.

Notes (continued)

13 Brand and goodwill intangible assets

Group	Brand £m	Goodwill £m
<b>Cost</b>		
At 27 September 2020	6	247
Disposals	-	(1)
At 26 September 2021	6	246
Disposals	-	(1)
<b>At 25 September 2022</b>	<b>6</b>	<b>245</b>
<b>Amortisation</b>		
At 27 September 2020	(2)	(4)
Charge for the year	(1)	-
At 26 September 2021	(3)	(4)
Charge for the period	(1)	-
Impairment (note 8)	-	(44)
<b>At 25 September 2022</b>	<b>(4)</b>	<b>(48)</b>
<b>Net book value</b>		
<b>At 25 September 2022</b>	<b>2</b>	<b>197</b>
At 26 September 2021	3	242

Goodwill has been reduced in the period by £1 million (2021: £1 million), representing the apportioned value of goodwill allocated to those sites disposed of during the period. Goodwill impairment of £44 million (2021: £Nil) has been charged and is discussed further in note 14.

Notes (continued)

**14 Impairment testing**

**Property, plant and equipment**

The Group considers each of its individual pubs as a cash-generating unit (CGU). Each CGU is reviewed annually for indicators of impairment, and impairment reversals for previously impaired CGUs. When indicators of impairment are identified the carrying value of the individual pub is compared to its recoverable amount. The recoverable amount is determined as being the higher of the value in use and fair value less costs to sell. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

Value in use calculations use forecast trading performance cash flows, which are discounted by applying a pre-tax discount rate of 14.93% (2021: 11.98%). The discount rate used is based on the Group 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 Group WACC management have risk adjusted the cost of debt and the cost of equity by using an average of market risk premiums and Company betas at the period end date and a CGU specific risk premium has been applied.

Where fair value has been used this is deemed to be a higher value than a value in use calculation amount. External valuations have been used for this purpose, carried out by GVA Grimley Limited (t/a Avison Young) and Colliers International Property Advisers UK LLP, independent Chartered Surveyors. The fair value of property assets held in property, plant and equipment was derived using fair maintainable trade income (FMT) multiplied by 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. An appropriate multiple is then applied 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 landlord's fixtures and fittings. The fair value of managed pub assets is prepared using a consistent approach involving the net income attributable to the Group from operating the pub at an appropriate multiple.

All classes of asset, where fair value has been used, are, under IFRS 13, required to be valued at highest and best use. IFRS 13 prescribes that the Group'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.

Impairments totalling £200 million (2021: £43 million) and impairment reversals of £55 million (2021: £117) were identified within property, plant and equipment and non-current assets as follows:

	<b>2022</b>	<b>2021</b>
	<b>52 weeks</b>	<b>52 weeks</b>
	<b>£m</b>	<b>£m</b>
Property, plant and equipment (note 10)	<b>199</b>	42
Non-current assets held for sale (note 12)	<b>1</b>	1
<b>Total impairment charge</b>	<b>200</b>	43
Property, plant and equipment impairment reversal (note 10)	<b>(55)</b>	(117)
<b>Net impairment</b>	<b>145</b>	(74)

**Notes (continued)**

**14 Impairment testing (continued)**

**Sensitivity analysis – property, plant and equipment**

Where fair value is based on the external valuation, the significant unobservable inputs used in the fair value measurement, categorised within level 3 of the fair value hierarchy, 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 valuations and impairment recognised. Sensitivities around these assumptions that are deemed to be reasonably likely based on the experience of the valuers are illustrated below:

	<b>2022</b>	<b>2021</b>
	<b>52 weeks</b>	<b>52 weeks</b>
	<b>£m</b>	<b>£m</b>
<b>FMT sensitivity</b>		
+2.5%	<b>69</b>	68
-2.5%	<b>(69)</b>	(68)
<b>Multiple sensitivity</b>		
+0.25	<b>78</b>	76
-0.25	<b>(78)</b>	(76)

Value in use calculations are most sensitive to discount rate changes and forecast cash flow changes, such that if the discount rate was to increase by 1%, the impairment charge would increase by £3 million. If the forecast cash flows were to decrease by 9% the impairment charge would increase by £3 million.

Notes (continued)

14 Impairment testing (continued)

Goodwill

Goodwill acquired via business combinations is tested annually for impairment. The Group considers each of its operating segments as a cash-generating unit (CGU) for the purposes of goodwill impairment testing. The carrying amount of goodwill allocated to each operating segment as described in note 2 at the period end and the movements during the period is as follows:

	Pub Partners	Craft Union	Stonegate	Total net book value
	£m	£m	£m	£m
27 September 2020	47	15	181	243
Transfers between segments	(1)	2	(1)	-
Disposals	-	-	(1)	(1)
26 September 2021	46	17	179	242
Transfers between segments	(1)	-	1	-
Disposals	(1)	-	-	(1)
Impairment	(44)	-	-	(44)
25 September 2022	-	17	180	197

Within these segments the goodwill is tested for impairment by comparing the recoverable amount of each segment to the carrying amount. The recoverable amount is the higher of fair value less costs of disposal and value in use. The assumptions and inputs for each segment's goodwill test is set out in the following table. Key assumptions have been assigned values by management using estimates based on past experience and expectations of future changes in the market. These assumptions have been reviewed by the Board and are believed to be reasonable. The key driver to maintaining the growth rate is management's focus on selecting and supporting the best publicans, formats and pub operators, whilst meeting the challenges of changing consumer demand. The discount rate used is based on the Group 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 Group WACC management have risk adjusted the cost of debt and the cost of equity by using an average of market risk premiums and Company betas at the period end date. Impairment totalling £44 million (2021: £Nil) have been recognised in the Pub Partners segment. This is driven by a higher than expected discount rate of 13.60% at 25 September 2022 as a result of uncertain market conditions (2021: 10.74%).

	Pub Partners	Craft Union	Stonegate
<b>Basis used for recoverable amount</b>	Value in use	Value in use	Value in use
<b>Forecast period</b>	Three years	Three years	Three years
<b>Key assumptions</b>	- Trading margin - rent forecast - working capital	- Trading margin - working capital	- Trading margin - working capital
<b>Growth rates</b>	- 2.5% for two years - 2% in perpetuity	- 5% for two years - 2.5% in perpetuity	- 5% for two years - 2.5% in perpetuity
<b>Pre-tax discount rate</b>	13.60% (2021: 10.74%)	13.60% (2021: 10.74%)	13.60% (2021: 10.74%)
<b>Impairment</b>	£44 million (2021: £Nil) £Nil (2021: £179 million)	£Nil (2021: £Nil) £173 million (2021: £124 million)	£Nil (2021: £Nil) £249 million (2021: £879 million)
<b>Headroom</b>			

**Notes (continued)**

**14 Impairment testing (continued)**

**Sensitivity analysis - goodwill**

The impairment calculation is most sensitive to changes in assumptions used for pre-tax discount rate, growth rate and forecast EBITDA changes. Management have therefore applied reasonable changes to each assumption and the results by operating segment are shown below.

		Headroom / (impairment)	
		25 September 2022	26 September 2021
		£m	£m
Change in assumption			
<b>Craft Union</b>			
Growth rate	1% decrease	165	120
Discount rate	1% increase	126	94
Forecast cash flows	9% decrease (2021: 5% decrease)	107	97
<b>Stonegate</b>			
Growth rate	1% decrease	232	855
Discount rate	1% increase	151	703
Forecast cash flows	9% decrease (2021: 5% decrease)	63	754

No reasonable change to the above assumptions would result in a decrease to impairment of Pub Partners goodwill.

Notes (continued)

15 Investments in subsidiaries

The Company has the following investments in subsidiaries.

Name of company	Registered number	Country of incorporation	Class of shares held	Proportion held	Nature of business
<b>Held directly by Stonegate Pub Company Pikco Holdings Limited:</b>					
Stonegate Pub Company PIKCO Limited <sup>^</sup>	12087022	England and Wales	Ordinary	100%	Financing
<b>Held indirectly by Stonegate Pub Company Pikco Holdings Limited:</b>					
Stonegate Pub Company Midco Limited <sup>&gt;</sup>	FC031243	Cayman Islands	Ordinary	100%	Holding company
Stonegate Pub Company Limited <sup>&gt;</sup>	FC029833	Cayman Islands	Ordinary	100%	Operation of licensed bars
Stonegate Pub Company Financing Limited <sup>*^1</sup>	08948738	England and Wales	Ordinary	100%	Financing
Stonegate Property Topco Limited <sup>^</sup>	13368160	England and Wales	Ordinary	100%	Holding company
Plato Company 3 Limited <sup>*&gt;</sup>	FC028475	Cayman Islands	Ordinary	100%	Holding company
Hull Propco Limited <sup>^</sup>	09784083	England and Wales	Ordinary	100%	Property company
Large Bars Limited <sup>^</sup>	04444399	England and Wales	Ordinary	100%	Operation of licensed bars
Falcon Propco 1 Limited <sup>^</sup>	10588737	England and Wales	Ordinary	100%	Property company
Intertain Limited <sup>^</sup>	06996339	England and Wales	Ordinary	100%	Holding company
Bar Holdings Limited <sup>^</sup>	06615529	England and Wales	Ordinary	100%	Operation of licensed bars
Be At One Holdings Limited <sup>^</sup>	07795268	England and Wales	Ordinary	100%	Holding company
Leased and Tenanted Pubs 2 Limited <sup>^</sup>	12087560	England and Wales	Ordinary	100%	Holding company
Bar Fever Limited <sup>^</sup>	06845048	England and Wales	Ordinary	100%	Holding company
Town and City Pub Group Limited <sup>^</sup>	06433242	England and Wales	Ordinary	100%	Holding company
Barley Pub Company Limited <sup>^</sup>	06457362	England and Wales	Ordinary	100%	Operation of licensed bars
Hops Pub Company Limited <sup>^</sup>	06457363	England and Wales	Ordinary	100%	Operation of licensed bars
Plato Restaurant Holdings Limited <sup>*&gt;</sup>	FC027604	Cayman Islands	Ordinary	100%	Holding company
Bay Restaurant Holdings Limited <sup>*&gt;</sup>	FC027605	Cayman Islands	Ordinary	100%	Holding company
Bay Restaurant Group Limited <sup>^</sup>	06457368	England and Wales	Ordinary	100%	Holding company
Slug and Lettuce Company Limited <sup>^</sup>	06295354	England and Wales	Ordinary	100%	Operation of licensed bars
Yates Group Pension Trustees Limited <sup>*^</sup>	02240906	England and Wales	Ordinary	100%	Dormant
Laurel Pension Trustee Company Limited <sup>*^</sup>	06728453	England and Wales	Ordinary	100%	Dormant
Intertain (Bars) Limited <sup>^</sup>	07035173	England and Wales	Ordinary	100%	Operation of licensed bars
Intertain (Bars) II Limited <sup>^</sup>	09481868	England and Wales	Ordinary	100%	Operation of licensed bars
Intertain (Bars) III Limited <sup>^</sup>	09591071	England and Wales	Ordinary	100%	Operation of licensed bars
Intertain (Bars) IV Limited <sup>^</sup>	09591019	England and Wales	Ordinary	100%	Operation of licensed bars
Sports Bar And Grill (Canary Wharf) Limited <sup>^</sup>	08295700	England and Wales	Ordinary	100%	Operation of licensed bars
Sports Bar And Grill Farringdon Limited <sup>^</sup>	07443429	England and Wales	Ordinary	100%	Operation of licensed bars
Sports Bar And Grill Victoria Limited <sup>^</sup>	07036738	England and Wales	Ordinary	100%	Operation of licensed bars
Sports Bar And Grill Waterloo Limited <sup>^</sup>	07938424	England and Wales	Ordinary	100%	Operation of licensed bars
Be At One Limited <sup>^</sup>	04092709	England and Wales	Ordinary	100%	Operation of licensed bars
Leased and Tenanted Pubs 1 Limited <sup>^</sup>	12088247	England and Wales	Ordinary	100%	Financing and holding company
Stonegate Pub Company Financing 2019 plc <sup>^</sup>	12092575	England and Wales	Ordinary	100%	Financing company
Bar Fever (Aylesbury) Ltd <sup>^</sup>	08292714	England and Wales	Ordinary	100%	Operation of licensed bars
Bar Fever (Banbury) Ltd <sup>^</sup>	08242798	England and Wales	Ordinary	100%	Non-trading
Bar Fever (Barnstaple) Ltd <sup>^</sup>	08235527	England and Wales	Ordinary	100%	Operation of licensed bars
Bar Fever (Basingstoke) Ltd <sup>^</sup>	09764523	England and Wales	Ordinary	100%	Operation of licensed bars
Bar Fever (Cannock) Ltd <sup>^</sup>	10830345	England and Wales	Ordinary	100%	Operation of licensed bars
Bar Fever (Cheltenham) Limited <sup>^</sup>	06401298	England and Wales	Ordinary	100%	Operation of licensed bars
Bar Fever (Derby) Ltd <sup>^</sup>	07266686	England and Wales	Ordinary	100%	Dormant
Bar Fever (Epsom) Ltd <sup>^</sup>	10247037	England and Wales	Ordinary	100%	Non-trading
Bar Fever (Exeter) Ltd <sup>^</sup>	10852551	England and Wales	Ordinary	100%	Operation of licensed bars
Bar Fever (Exmouth) Ltd <sup>^</sup>	09430376	England and Wales	Ordinary	100%	Operation of licensed bars
Bar Fever (Fleet) Ltd <sup>^</sup>	09349502	England and Wales	Ordinary	100%	Operation of licensed bars
Bar Fever (Gloucester) Ltd <sup>^</sup>	6760999	England and Wales	Ordinary	100%	Operation of licensed bars
Bar Fever (Isle of Wight) Ltd <sup>^</sup>	10129193	England and Wales	Ordinary	100%	Operation of licensed bars
Bar Fever (Lincoln) Ltd <sup>^</sup>	10421531	England and Wales	Ordinary	100%	Operation of licensed bars
Barclub (Lincoln) Limited <sup>^</sup>	07959644	England and Wales	Ordinary	100%	Dormant

Notes (continued)

15 Investments in subsidiaries (continued)

Name of company		Country of incorporation	Class of shares held	Proportion held	Nature of business
Bar Fever (Macclesfield) Ltd <sup>^</sup>	09792688	England and Wales	Ordinary	100%	Non-trading
Bar Fever (Maldstone) Ltd <sup>^</sup>	10509564	England and Wales	Ordinary	100%	Non-trading
Bar Fever (Nuneaton) Ltd <sup>^</sup>	07046207	England and Wales	Ordinary	100%	Operation of licensed bars
Bar Fever (Nuneaton No. 2) Ltd <sup>^</sup>	10440378	England and Wales	Ordinary	100%	Dormant
Bar Fever (Oxford) Ltd <sup>^</sup>	10421829	England and Wales	Ordinary	100%	Non-trading
Bar Fever (Plymouth) Ltd <sup>^</sup>	11054968	England and Wales	Ordinary	100%	Dormant
Bar Fever (Redditch) Ltd <sup>^</sup>	06828086	England and Wales	Ordinary	100%	Non-trading
Bar Fever (Shrewsbury) Ltd <sup>^</sup>	07266690	England and Wales	Ordinary	100%	Non-trading
Bar Fever (Southend) Ltd <sup>^</sup>	11293662	England and Wales	Ordinary	100%	Operation of licensed bars
Bar Fever (Taunton) Ltd <sup>^</sup>	08431218	England and Wales	Ordinary	100%	Operation of licensed bars
Bar Fever (Trowbridge) Ltd <sup>^</sup>	06776726	England and Wales	Ordinary	100%	Non-trading
Bar Fever (Tunbridge Wells) Ltd <sup>^</sup>	09942681	England and Wales	Ordinary	100%	Non-trading
Bar Fever (Weston-Super-Mare) Ltd <sup>^</sup>	10908671	England and Wales	Ordinary	100%	Operation of licensed bars
Kukul Bars (Newbury) Ltd <sup>^</sup>	08431208	England and Wales	Ordinary	100%	Operation of licensed bars
Bierkeller Cheltenham Ltd <sup>^</sup>	08182884	England and Wales	Ordinary	100%	Dormant
Retro Leisure (Rugby) Ltd <sup>^</sup>	06946878	England and Wales	Ordinary	100%	Operation of licensed bars
Zinc Taunton Ltd <sup>^</sup>	10332341	England and Wales	Ordinary	100%	Operation of licensed bars
Chilli Whites Epsom Ltd <sup>^</sup>	09632522	England and Wales	Ordinary	100%	Non-trading
Element Thirty Limited <sup>^</sup>	09440649	England and Wales	Ordinary	100%	Non-trading
South East Clubs Limited <sup>^</sup>	08193531	England and Wales	Ordinary	100%	Dormant
Ei Group Limited <sup>^</sup>	02562808	England and Wales	Ordinary	100%	Ownership of licensed properties
Enterprise Inns Limited <sup>^</sup>	10517727	England and Wales	Ordinary	100%	Dormant
Gibbs Mew Limited <sup>^</sup>	00057422	England and Wales	Ordinary	100%	Dormant
Enterprise Inns Holding Company Limited <sup>^</sup>	05016450	England and Wales	Ordinary	100%	Dormant
Bede Holding Company Limited <sup>^</sup>	04154910	England and Wales	Ordinary	100%	Dormant
Century Inns Limited <sup>^</sup>	02638211	England and Wales	Ordinary	100%	Dormant
Ei Publican Services Limited <sup>^</sup>	06522972	England and Wales	Ordinary	100%	Intermediate supply company
Unique Pubs Limited <sup>^</sup>	03733077	England and Wales	Ordinary	100%	Holding company
Unique Pub Properties Alpha Limited <sup>^</sup>	04071390	England and Wales	Ordinary	100%	Dormant
Unique Pub Properties Beta Limited <sup>^</sup>	04071421	England and Wales	Ordinary	100%	Dormant
Unique Pub Properties Gamma Limited <sup>^</sup>	04071756	England and Wales	Ordinary	100%	Dormant
Unique Pub Properties Theta Limited <sup>^</sup>	04071501	England and Wales	Ordinary	100%	Dormant
Voyager Pub Group Holdings Limited <sup>^</sup>	04154855	England and Wales	Ordinary	100%	Holding company
West Midlands Taverns (Holdings) Limited <sup>^</sup>	01420864	England and Wales	Ordinary	100%	Dormant
Voyager Pub Group Limited <sup>^</sup>	04066191	England and Wales	Ordinary	100%	Holding company
Unique Pub Investments Limited <sup>^</sup>	03733058	England and Wales	Ordinary	100%	Holding company
Unique Pub Properties Limited <sup>^</sup>	03726292	England and Wales	Ordinary	100%	Ownership of licensed properties
The Unique Pub Finance Company plc <sup>^</sup>	03733088	England and Wales	Ordinary Cumulative preference shares	100%	Financing company
Enterprise Managed Investments Limited <sup>^</sup>	08805929	England and Wales	Ordinary	100%	Holding company
Hush Heath Inns Limited <sup>^</sup>	10925175	England and Wales	Ordinary	51%	Operation of licensed bars
Old Spot Pub Company Limited <sup>^</sup>	11217220	England and Wales	Ordinary	75%	Operation of licensed bars
Social Cellar (Gamma) Limited <sup>^</sup>	11958945	England and Wales	Ordinary	100%	Dormant
Dirty Liquor Alpha Limited <sup>^</sup>	10925209	England and Wales	Ordinary	51%	Non-trading
Dirty Liquor Limited <sup>^</sup>	10375833	England and Wales	Ordinary	75%	Operation of licensed bars

Notes (continued)

15 Investments in subsidiaries (continued)

Name of company		Country of incorporation	Class of shares held	Proportion held	Nature of business
Urban Pubs & Bars 2 Limited^	11450740	England and Wales	Ordinary	51%	Operation of licensed bars
Bestplace (Bets) Limited^	10665400	England and Wales	Ordinary	75%	Operation of licensed bars
Bestplace Limited^	06139384	England and Wales	Ordinary	51%	Operation of licensed bars
Social Cellar Limited**	10481529	England and Wales	Ordinary	100%	Dormant
Imagegold Limited#	08805986	England and Wales	Ordinary	100%	Dormant
Bermondsley Pub Company Limited#	08836925	England and Wales	Ordinary	100%	Dormant
The Craft Union Pub Company Limited#	09429990	England and Wales	Ordinary	100%	Operation of licensed bars
Vixen Pub Company Limited#	11539726	England and Wales	Ordinary	100%	Operation of licensed bars
Hippo Inns Limited <sup>2</sup>	09569586	England and Wales	Ordinary	100%	Non-trading
Six Cheers Limited^	10436091	England and Wales	Ordinary	51%	Operation of licensed bars
Mash Inns Limited^	10010356	England and Wales	Ordinary	51%	Operation of licensed bars
Frontier Pubs Limited^	10113513	England and Wales	Ordinary	75%	Operation of licensed bars
Stonegate Property Midco Limited#	13369206	England and Wales	Ordinary	100%	Holding company
Stonegate Property (Craft) Limited#	13372762	England and Wales	Ordinary	100%	Dormant
Stonegate Property (L&T) Limited#	13372760	England and Wales	Ordinary	100%	Dormant

# Companies denoted here have taken a parental guarantee and are not audited. The parent company, Stonegate Pub Company Pikco Holdings Limited, has guaranteed the liabilities of the subsidiaries denoted above in order they qualify for the exemption from individual audit under Section 479A of the Companies Act in respect of the 52 week period ended 26 September 2021.

\* Companies denoted here are dormant subsidiaries which are exempt from the requirements relating to the audit of the accounts under section 479A of the Companies Act 2006.

^ Companies denoted here have a registered address of 3 Monkspath Hall Road, Solihull, United Kingdom, B90 4SJ.

> Companies denoted here have a registered address of Cricket Square PO BOX 2681, Grand Cayman, Ky1-1111, Cayman Islands.

1 On 26 September 22 Stonegate Pub Company Financing plc was renamed Stonegate Pub Company Financing Limited.

2 During the period on 10 January 2022 the Group acquired the remaining 25% of shares in Hippo Inns Limited.

	Company £m
Shares in group undertakings	
As at 26 September 2021	1,035
Additions	-
As at 25 September 2022	1,035

Notes (continued)

**16 Deferred tax assets and liabilities**

Movement in deferred tax during the period is as follows:

	25 September 2022	26 September 2021
Group	£m	£m
At beginning of period	(64)	(118)
Credited to income statement	(13)	53
Credited to other comprehensive income	-	1
At end of period	(77)	(64)
Consisting of:		
Deferred tax assets	167	209
Deferred tax liabilities	(244)	(273)
	(77)	(64)

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

Deferred tax assets	Fair value debt adjustments	Deferred interest deductions	Tax losses	Retirement benefit liabilities	Temporary differences	Total
Group	£m	£m	£m	£m	£m	£m
At 27 September 2020	17	48	13	1	13	92
Credited to income statement	-	74	25	-	17	116
Credited to other comprehensive income	-	-	-	1	-	1
At 26 September 2021	17	122	38	2	30	209
(Charged) / credited to income statement	(4)	2	(22)	-	(18)	(42)
At 25 September 2022	13	124	16	2	12	167

The Directors consider it reasonable to recognise deferred tax assets as it is probable that taxable profits will be available against which the temporary differences can be utilised.

**Deferred tax liabilities**

	Intangibles	Property, plant and equipment	Total
Group	£m	£m	£m
At 27 September 2020	5	205	210
Charged to income statement	2	61	63
At 26 September 2021	7	266	273
Charged / (credited) to income statement	1	(30)	(29)
At 25 September 2022	8	236	244

At the period end the Group had a net deferred tax liability of £77 million (2021: liability of £64 million).

In the 3 March 2021 Budget, it was announced that the UK tax rate will increase to 25% from 1 April 2023. This rate change was substantively enacted in the prior year to adjust deferred tax balances to 25%.

**Notes (continued)**

**17 Inventories**

	Group		Company	
	25 September	26 September	25 September	26 September
	2022	2021	2022	2021
	£m	£m	£m	£m
Goods held for resale	22	21	-	-
	22	21	-	-

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

The Group recognised £442 million of inventories as an expense included in operating costs before depreciation and amortisation during the period (2021: £208 million) and charged £Nil (2021: £2 million) to the income statement for the write-down of inventories during the period, as a result of Covid-19.

**18 Financial assets**

	Group		Company	
	25 September	26 September	25 September	26 September
	2022	2021	2022	2021
	£m	£m	£m	£m
Non-current:				
Net investment in sublease	4	4	-	-
	4	4	-	-
Current:				
Other loans receivable	-	1	-	-
Net investment in sublease	1	2	-	-
	1	3	-	-

Net investment in subleases relate to the finance leases in place when leasing sites to tenants.

**Notes (continued)**

**19 Trade and other receivables**

	Group		Company	
	25 September	26 September	25 September	26 September
	2022	2021	2022	2021
	£m	£m	£m	£m
Trade receivables	48	50	-	-
Amounts due from parent undertakings	9	8	-	-
Amounts due from subsidiary undertakings	-	-	14	14
Other receivables	10	14	-	-
Prepayments and accrued income	10	25	-	-
Current tax receivable	3	4	-	-
	80	101	14	14
Due in more than one year:				
Trade receivables	4	4	-	-
Amounts due from group undertakings	4	-	-	-
	8	4	-	-

Included within trade receivables is £4 million (2021: £4 million) due in more than one year which is money owed by the publicans for the sale of fixtures and fittings on deferred terms and part of the balance is due in more than one year.

Included in amounts due from group undertakings due in more than one year is £4 million (2021: £Nil). On 13 June 2022, Stonegate Pub Company provided a £4 million loan to Stonegate Pub Company Kitchens Limited, a company under common control of the ultimate parent company, Stonegate Pub Company Topco Sarl, a company incorporated in Luxembourg. The loan charges interest at a rate of 8.5% per annum and expires in 2029.

Included in amounts due from parent undertakings is a balance of £2 million owing from Stonegate Pub Company Holdings Limited, the immediate parent company, a company incorporated in the Cayman Islands.

Also included within amounts due from parent undertakings is £7 million (2021: £6 million). This relates to a loan provided on 4 April 2019 to Stonegate Pub Company Holdings Limited, the immediate parent company, a company incorporated in the Cayman Islands. The loan is repayable on demand and charging annual interest of SONIA +2.50%.

Included in amounts due from subsidiary undertakings is an amount of £14 million owing to the Company from Stonegate Pub Company Pikco Limited, the Company's immediate subsidiary, relating to loan notes held by management.

**Notes (continued)**

**20 Trade and other payables**

	Group		Company	
	25 September	26 September	25 September	26 September
	2022	2021	2022	2021
	£m	£m	£m	£m
Trade payables	84	125	-	-
Amounts due to parent undertakings	14	14	14	14
Other taxation and social security	44	52	-	-
Other payables	47	51	-	-
Accruals	155	179	-	-
	<b>344</b>	<b>421</b>	<b>14</b>	<b>14</b>

Included in amounts due to parent undertakings is a balance of £14 million owing to Stonegate Pub Company Holdings Limited, the immediate parent company, a company incorporated in the Cayman Islands, relating to loan notes held by management.

**21 Borrowings**

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. The securitised bonds acquired as a result of the acquisition of Ei Group Limited were measured at fair value on acquisition. For more information about the Group's exposure to interest rate and foreign currency risk, see note 22.

	Group		Company	
	25 September	26 September	25 September	26 September
	2022	2021	2022	2021
	£m	£m	£m	£m
<b>Current liabilities</b>				
Securitised bonds	117	116	-	-
Lease liabilities	42	75	-	-
	<b>159</b>	<b>191</b>	<b>-</b>	<b>-</b>
<b>Non-current liabilities</b>				
Revolving credit facility	69	(2)	-	-
Securitised bonds	464	582	-	-
Senior secured notes issued by Stonegate Pub Company				
Financing 2019 plc	1,245	1,250	-	-
Privately placed notes issued by Stonegate Pub				
Company Financing 2019 plc	504	504	-	-
Euro floating rate notes issued by Stonegate Pub				
Company Financing 2019 plc	438	438	-	-
Second lien facility	391	390	-	-
PIK facility	419	371	-	-
Lease liabilities	680	695	-	-
	<b>4,210</b>	<b>4,228</b>	<b>-</b>	<b>-</b>

Non-current liabilities include £70 million (2021: £Nil) drawn down from the Group's revolving credit facility which are shown net of debt issue costs of £1 million (2021: £2 million). Annual interest of 1 month SONIA +3% is charged and the facility. Facility A of the facility expires on 12 September 2024, and on 13 July 2022, the Group extended £23 million of its facility B agreement which was due to expire, for a further year to maturity in July 2023.

Notes (continued)

**21 Borrowings**

Terms and debt repayment schedule excluding the revolving credit facility:

	Year of maturity	Principal outstanding			
		Group		Company	
		25 September 2022 £m	26 September 2021 £m	25 September 2022 £m	26 September 2021 £m
Securitised bonds - A4 - 5.659%	2027	207	237	-	-
Securitised bonds - M - 7.395%	2024	137	208	-	-
Securitised bonds - N - 6.464%	2032	190	190	-	-
Senior secured notes - 8.25%	2025	1,235	1,235	-	-
Privately placed notes - 8.00%	2025	500	500	-	-
Euro floating rate notes - Euribor + 5.75%	2025	452	452	-	-
Second lien facility - SONIA + 8.50%	2028	400	400	-	-
PIK facility - 12%	2028	436	388	-	-
		<b>3,557</b>	<b>3,610</b>	<b>-</b>	<b>-</b>

Changes in liabilities from financing activities:

Group	Loans and borrowings £m	Lease liabilities £m	Total £m
<b>Balance at 26 September 2021</b>	3,649	770	4,419
<b>Changes from financing cash flows</b>			
Proceeds from loans and borrowings	190	-	190
Repayment of borrowings	(221)	-	(221)
Payment of lease principal	-	(60)	(60)
Interest paid included in cash flows	(253)	(49)	(302)
<b>Total changes from financing cash flows</b>	<b>(284)</b>	<b>(109)</b>	<b>(393)</b>
<b>Non-cash changes</b>			
Lease modifications and re-measurements	-	12	12
Amortisation of fair value on securitised bonds	(16)	-	(16)
Interest expense included in finance costs	299	49	348
Movement in interest accruals	2	-	2
Debt modifications and amortisation	(3)	-	(3)
<b>Total non-cash changes</b>	<b>282</b>	<b>61</b>	<b>343</b>
<b>Balance at 25 September 2022</b>	<b>3,647</b>	<b>722</b>	<b>4,369</b>

Notes (continued)

21 Borrowings (continued)

Group	Loans and borrowings £m	Lease liabilities £m	Total £m
<b>Balance at 27 September 2020</b>	<b>3,570</b>	<b>805</b>	<b>4,375</b>
<b>Changes from financing cash flows</b>			
Proceeds from loans and borrowings	485	-	485
Repayment of borrowings	(413)	-	(413)
Payment of lease liabilities	-	(18)	(18)
Interest paid included in cash flows	(243)	(66)	(309)
Transaction costs related to loans and borrowings	(14)	-	(14)
<b>Total changes from financing cash flows</b>	<b>(185)</b>	<b>(84)</b>	<b>(269)</b>
<b>Non-cash changes</b>			
Transaction costs paid in year relating to prior year	10	-	10
Transaction costs related to aborted project	2	-	2
Amortisation of fair value on securitised bonds	(19)	-	(19)
Interest expense included in finance costs	285	49	334
Movement in interest accruals	(4)	-	(4)
Debt modifications and amortisation	(10)	-	(10)
<b>Total non-cash changes</b>	<b>264</b>	<b>49</b>	<b>313</b>
<b>Balance at 26 September 2021</b>	<b>3,649</b>	<b>770</b>	<b>4,419</b>

At the balance sheet date, the Group was financed by external debt, excluding lease liabilities, totalling £3,557 million (2021: £3,610 million).

In the prior year on 1 December 2020 the Group issued further senior secured notes totalling £120 million and a further £165 million on 5 August 2021, the terms of which are consistent with the £950 million existing senior secured notes.

Also in the prior year, on 5 August 2021 a €196 million loan was exchanged for €196 million floating rate notes, the terms of which are consistent with the €300 million existing floating rate notes. This was assessed as a non-substantial modification, such that a gain of £11 million was recognised in exceptional finance costs in the income statement in the prior period.

The £400 million second lien facility originally charged 8.5% + LIBOR. During the current year as a result of the interest rate benchmark reform the Group has modified the facility to reference SONIA. The Group has applied the Phase 2 amendments which provide a practical expedient to update the effective interest rate of the facility.

Notes (continued)

22 Financial instruments

Fair values of financial instruments

Set out in the table below are the carrying values and fair values of all of the Group's financial instruments at 25 September 2022 and 26 September 2021.

	Group Fair value		Group Carrying value	
	2022	2021	2022	2021
	£m	£m	£m	£m
<b>Financial assets - loans and receivables</b>				
Trade receivables	52	54	52	54
Other receivables	10	14	10	14
Amounts due from group undertakings	9	8	9	8
Cash and cash equivalents	133	224	133	224
Interest rate swaps	2	-	2	-
	<b>206</b>	<b>300</b>	<b>206</b>	<b>300</b>
<b>Financial liabilities</b>				
Trade payables	84	125	84	125
Other payables	47	51	47	51
Amounts due to group undertakings	14	14	14	14
Interest rate swaps	-	30	-	30
Warrants	8	7	8	7
Securitised bonds - A4	207	265	221	257
Securitised bonds - M	138	218	141	218
Securitised bonds - N	215	228	219	223
Senior secured notes	1,118	1,301	1,245	1,250
Privately placed notes	452	518	504	504
Euro floating rate notes	402	424	438	438
Second lien facility	391	390	391	390
PIK facility	419	371	419	371
Bank loans and overdrafts	69	(2)	69	(2)
Lease liabilities	722	770	722	770
	<b>4,286</b>	<b>4,710</b>	<b>4,522</b>	<b>4,646</b>

	Company Fair value		Company Carrying value	
	2022	2021	2022	2021
	£m	£m	£m	£m
<b>Financial assets - loans and receivables</b>				
Amounts due from group undertakings	14	14	14	14
	<b>14</b>	<b>14</b>	<b>14</b>	<b>14</b>
<b>Financial liabilities</b>				
Amounts due to group undertakings	14	14	14	14
	<b>14</b>	<b>14</b>	<b>14</b>	<b>14</b>

**Notes (continued)**

**22 Financial instruments (continued)**

The following assumptions were used to estimate the fair values:

Trade, other receivables and amounts due from group undertakings – these are carried at amortised cost using the effective interest method and fair value is deemed to be the same as this.

Cash and cash equivalents - approximate to the carrying amounts stated in the accounts.

Trade, other payables and amounts due to group undertakings - these are carried at amortised cost using the effective interest method and fair value is deemed to be the same as this.

Short-term loans and overdrafts – approximates to the carrying amount because of the short maturity of these instruments.

Long term loans – based on quoted market prices in the case of the securitised debt; approximates to the carrying amount in the case of the senior term loan and second lien facility.

Lease liabilities – 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.

Derivatives – these are carried at fair value.

The Group's financial instruments consist of securitised loan notes, bank and other borrowings and cash, the main purpose of which is to raise finance for the Group's operations. The Group's other financial instruments, such as trade receivables and payables, arise directly from its operations.

**Fair value hierarchy**

IFRS 13 requires that the classification of financial instruments at fair value be determined by reference to the source of inputs used to derive fair value.

The classification uses the following three-level hierarchy:

- Level 1 – quoted prices in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of the senior secured notes; privately placed notes and euro floating rate notes are measured at market price and are therefore evaluated to be level 1 in the fair value hierarchy. The fair value of the Group's securitised bonds; second lien facility; bank loans and overdrafts and interest rate swaps are deemed to be level 2 in the fair value hierarchy. The Group's warrants are deemed to be level 3 in the fair value hierarchy.

**Notes (continued)**

**22 Financial instruments (continued)**

**Derivative financial instruments**

The carrying values of derivative financial instruments in the balance sheet are as follows:

	25 September 2022	26 September 2021
Group	£m	£m
<b>Current assets</b>		
Interest rate swaps	(2)	-
	(2)	-
<b>Non-current liabilities</b>		
Warrants	8	7
Interest rate swaps	-	30
	8	37

The interest rate swaps replace the Euribor currency and floating rate on the Group's €496 million floating rate loan notes with a fixed rate. The Group has chosen not to apply hedge accounting for its interest rate swap given the additional costs of meeting the extensive documentation requirements of IFRS 13. Consequently, movements in fair value are recognised in the income statement.

On 4 March 2020 Stonegate Pub Company Pikco Limited received a £325 million PIK facility, maturing on 4 September 2028. In addition to the PIK Loan, Stonegate Pub Company Pikco Limited issued warrants to the lenders which allocated to the lenders notional ordinary shares that represent equity of Stonegate Pub Company Holdings Limited, the immediate Parent Company. Settlement of the notional securities shall take place when a liquidity event occurs. Under IFRS 13 the fair value of the warrants were valued at the period end to £8 million (2021: £7 million). The movement in the fair value of £1 million (2021: £5 million) is recognised in the income statement.

**Capital risk management**

The Group's capital structure consists of debt, issued share capital and reserves. These are managed effectively to minimise the Group's cost of capital, to add value to shareholders and to service debt obligations. The securitised debt is monitored by a variety of measures, which are reported to the debt providers on a quarterly basis. The Group assesses the performance of the business, the level of available funds and the short to medium term strategic plans concerning capital spend as well as the need to meet financial covenants and such assessment influences the level of dividends payable.

The main risks from the Group's financial instruments are interest rate risk, currency risk, liquidity risk and credit risk. The policy for managing each of the Group's risks is set out as follows.

**Notes (continued)**

**22 Financial instruments (continued)**

**Liquidity risk**

Liquidity risk is risk that the Group may not be able to meet its financial obligations as they fall due. The Group seeks to manage financial risk to ensure sufficient liquidity is available to meet foreseeable needs by regular cash flow forecasting and reporting; monitoring of the maturity of financial liabilities to avoid the risk of a shortage of funds and maintenance of undrawn bank facilities. The table below summarises the maturity profile of the Group's debt based on contractual, undiscounted cash flows including interest.

	Within 1 year £m	1-2 years £m	2-5 years £m	> 5 years £m	Total £m
<b>At 25 September 2022</b>					
Interest-bearing loans and borrowings					
- capital	104	94	2,333	1,026	3,557
- interest	246	240	329	497	1,312
- cross currency interest rate swaps	(2)	-	-	-	(2)
Revolving credit facility	-	-	69	-	69
Trade payables	84	-	-	-	84
Other payables	47	-	-	-	47
	<b>479</b>	<b>334</b>	<b>2,731</b>	<b>1,523</b>	<b>5,067</b>
<b>At 26 September 2021</b>	£m	£m	£m	£m	£m
Interest-bearing loans and borrowings					
- capital	100	105	2,378	1,027	3,610
- interest	246	239	514	651	1,650
- cross currency interest rate swaps	-	30	-	-	30
Revolving credit facility	-	-	(2)	-	(2)
Trade payables	132	-	-	-	132
Other payables	46	-	-	-	46
	<b>524</b>	<b>374</b>	<b>2,890</b>	<b>1,678</b>	<b>5,466</b>

**Interest rate risk**

The Group finances its operations through a mixture of trading cash, bank overdraft facilities and fixed and floating secured loan notes and bonds. The Group's objective is to manage exposure to changes in interest rates. This exposure is managed by borrowing at fixed rates for a large proportion of its debt, being the securitised bonds; the senior secured notes and the privately placed notes.

At the balance sheet date the Group's variable rate instruments comprised euro floating rate notes for which the Group manages the impact of interest rate fluctuations by using cross currency interest rate swaps to manage exposure and replace the floating rate with a fixed rate of interest, and the second lien facility which charges interest at SONIA + 8.50%. The Group also faces interest rate risk from its revolving credit facility but due to the nature of short-term drawings any interest rate risk is considered to be minimal.

The Group therefore predominately faces interest rate risk from the second lien facility. A 1% interest rate increase would result in an increase to interest charged to the income statement of £4 million (2021: £2 million) and a corresponding decrease in equity. This is assuming the liability outstanding at the balance sheet date was outstanding for the whole period.

**Notes (continued)**

**22 Financial instruments (continued)**

**IBOR Reform**

In accordance with the UK Financial Conduct Authority's announcement on 5 March 2021, Sterling LIBOR benchmark rates have been discontinued after 31 December 2021. During the year the group transitioned its exposures from Sterling LIBOR based to Sterling Overnight Index Average (SONIA) based for its revolving credit facility and the second lien facility.

By applying the IFRS 9 Phase 2 amendments for financial instruments measured using amortised cost measurement changes to the basis for determining the contractual cash flows required by interest rate benchmark reform have been reflected by adjusting effective interest rates. No immediate gains or losses have been recognised.

**Security**

The revolving credit facility; senior secured notes; privately placed notes; euro floating notes and second lien facility borrowings are governed by debentures pursuant to English law incorporating customary fixed and floating charge security over the assets of the charging companies being Stonegate Pub Company Limited and certain of its subsidiaries, deemed the Restricted Group, and Cayman Islands law governed equitable share mortgages over the shares of Stonegate Pub Company Limited and certain other members of the Restricted Group incorporated under the laws of the Cayman Islands.

Unique Pub Properties Limited is not deemed a Restricted Subsidiary as its assets are secured by way of fixed charge for the benefit of its bond holders within its securitisation structure. The security pledged for the securitised bonds is collectively over the whole securitisation incorporating a first fixed charge in favour of the Trustee over the Issuer's right, title, interest and benefit, present and future to all properties, cash, eligible investments and income generated by Unique Pub Properties Limited.

The total value of assets within the Group secured by way of a fixed or floating charge as at 25 September 2022 is property, plant and equipment £2,886 million (2021: £3,041 million), investment property £181 million (2021: £138 million) and non-current assets held for sale £16 million (2021: £19 million).

**Covenants**

The Group is subject to a number of financial covenants in relation to its borrowing facilities. There are three covenants that relate to the debt as follows:

Two of the covenants relate to the securitised bonds and are tested and reported at each quarter end. The Debt Service Cover Ratio (DSCR) measures the ability of the securitised group to meet its debt service whilst the Net Worth covenant in the securitised group must be at least £300 million. The Group has met both covenants during the financial year.

The one other covenant relates to the RCF. This comprises a Consolidated Net Leverage Ratio that is tested quarterly whilst the RCF is more than 40% drawn. The Group met this covenant during the year.

**Currency risk**

All of the revenues and the majority of the costs of the Group are in sterling. The Group uses cross currency interest rate swaps to manage exposure to the impact of currency risk from its debt denominated in euros.

**Notes (continued)**

**22 Financial instruments (continued)**

**Credit risk**

The amount of trade and other receivables included in the balance sheet are net of an expected credit loss (ECL) provision. The Group has adopted the simplified impairment model to measure the expected lifetime credit losses on its trade receivables. Using a provision matrix the Group analyses its historic bad debt experience to create an ageing profile which it then applies to its trade receivables balance as at the reporting date. The Group writes off its trade receivables when it has no reasonable expectation of recovery of the debt. The carrying amount of financial assets represents the maximum credit exposure.

The ageing of trade and other receivables at the balance sheet date, gross of the doubtful debt provision, is as follows:

	25 September 2022 £m	26 September 2021 £m
Not past due	42	43
0-30 days past due	7	4
31-60 days past due	2	4
61-90 days past due	-	2
Greater than 90 days past due	7	11
	<b>58</b>	<b>64</b>

An analysis of the provision held against trade receivables is set out below. This provision related to trade receivables which are primarily owed by publicans.

	25 September 2022 £m	26 September 2021 £m
Provision as at 26 September 2021	4	5
Increase in provision during the year	3	2
Provision released during the year	(2)	(3)
<b>Provision as at 25 September 2022</b>	<b>5</b>	<b>4</b>

**Notes (continued)**

**23 Provisions**

Group	Onerous site costs £m	Health and safety claims £m	Total £m
At 27 September 2020	1	2	3
Additions	-	3	3
<b>At 26 September 2021 and 25 September 2022</b>	<b>1</b>	<b>5</b>	<b>6</b>

The onerous site costs provision includes amounts for costs of securing closed sites.

The health and safety claims provision is an estimate of the claims which the Group expects to settle over the next few years. The level of provision has been based on management's estimated future pay outs.

**24 Share capital & Other Reserves**

	25 September 2022 £m	26 September 2021 £m
<b>Called up, allotted and fully paid:</b>		
2,496 ordinary shares of £1 each	-	-

**Ordinary shares**

The company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the company.

**Share premium**

Consideration received for shares issued above their nominal value net of transaction costs.

**Revaluation reserve**

The upwards measurement of property, plant and equipment to fair value prior to transfer to investment properties is recognised in revaluation reserve.

**Merger reserve**

Other reserves has arisen as a result of the Group reorganisation on 10 July 19.

**Capital contribution reserve**

The receiving of services from certain employees in exchange for share issued by an indirect parent company is recognised in capital contribution reserve.

Notes (continued)

**25 Commitments**

**Capital commitments**

Capital commitments for property, plant and equipment:

	25 September 2022 £m	26 September 2021 £m
Contracted but not provided	12	6

**26 Leases**

**Leases as a lessee**

*Impacts for the period*

The Group follows the same basis of categorisation to both free hold property and leasehold property to determine where to present assets on the balance sheet and therefore right of use assets are recognised in investment property, non-current assets held for sale and property, plant and equipment depending on the type of sub lease (where it is sub let) or the commitment to dispose of the property/lease. The following table sets out the movement in the Group's right-of-use assets during the period and the carrying value at 25 September 2022:

	Non-current		Property, plant and equipment		Total £m
	Investment property £m	assets held for sale £m	Property £m	Vehicles £m	
<b>Right-of-use-assets</b>					
At 27 September 2020	20	7	908	4	939
Modifications	-	-	7	1	8
Depreciation charge for the period	-	-	(63)	(1)	(64)
Impairment	-	-	(2)	-	(2)
Impairment reversal	-	-	6	-	6
Revaluation	(1)	-	-	-	(1)
Transfers	4	-	(4)	-	-
Derecognition	-	(4)	(7)	-	(11)
At 26 September 2021	23	3	845	4	875
Modifications	1	-	19	-	20
Depreciation charge for the period	-	-	(60)	(1)	(61)
Impairment	(1)	-	(32)	-	(33)
Impairment reversal	-	-	7	-	7
Derecognition	-	(1)	(7)	-	(8)
Transfers	8	1	(9)	-	-
<b>At 25 September 2022</b>	<b>31</b>	<b>3</b>	<b>763</b>	<b>3</b>	<b>800</b>

**Notes (continued)**

**26 Leases (continued)**

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

	<b>2022</b>	<b>2021</b>
	<b>52 weeks</b>	<b>52 weeks</b>
	<b>£m</b>	<b>£m</b>
Leases under IFRS 16		
Interest expense on lease liabilities	<b>49</b>	49
Depreciation of right of use assets	<b>61</b>	64
Impairment of right of use assets	<b>33</b>	2
Impairment reversal of right of use assets	<b>(7)</b>	(6)
Revaluation of right of use assets	-	1
Expenses relating to leases of low-value assets	<b>1</b>	-
Variable lease payments	<b>1</b>	-
Covid-19 rent concessions	<b>(4)</b>	(6)

The amount recognised in profit or loss to reflect changes in lease payments that arise from rent concessions to which the Group has applied the practical expedient for COVID-19 related rent concessions is £4 million (2021: £6 million). The practical expedient has been applied to all lease contracts where the rent concessions have met the conditions per IFRS 16.46.

The following amounts have been recognised in the statement of cash flows for which the Group is a lessee:

	<b>2022</b>	<b>2021</b>
	<b>52 weeks</b>	<b>52 weeks</b>
	<b>£m</b>	<b>£m</b>
Interest payments	<b>49</b>	66
Principal payments	<b>60</b>	18
Total cash outflow for leases	<b>109</b>	84

In relation to those leases under IFRS 16, for the 52 weeks ending 25 September 2022, the Group's operating profit metric improved by £16 million (2021: £33 million) as the new depreciation expense is lower than the IAS 17 operating lease charge; however net finance costs are higher than this, at £49 million (2021: £49 million), such that net profit after tax is lower (2021: lower) compared to the previous IAS 17 reporting basis. Operating profit before depreciation, amortisation, impairment and loss on sale of non-current assets is higher (2021: higher) compared to the previous IAS 17 reporting basis.

**Notes (continued)**

**26 Leases (continued)**

**Leases as a lessor**

The Group leases a proportion of its properties to tenants. The majority of lease agreements have terms of between one and 30 years, most of the leases with terms of over three years include RPI or CPI base rent adjustments and provisions for rent reviews on either a three year or five year basis. Where the Group is the intermediate lessor the sublease is classified as a finance lease by reference to the right of use asset, all other leases are classified as operating leases.

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

	25 September 2022	26 September 2021
Group	£m	£m
Less than one year	1	1
In more than one year and less than two years	1	1
Between two and five years	3	3
More than five years	4	5
	9	10
Future finance cost	(4)	(4)
	5	6
Recognised as:		
Non current financial asset	4	4
Current financial asset	1	2
<b>Total undiscounted lease receivable</b>	<b>5</b>	<b>6</b>

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

	25 September 2022	26 September 2021
Group	£m	£m
Less than one year	92	96
In more than one year and less than two years	76	80
Between two and five years	161	167
More than five years	238	247
<b>Total undiscounted lease receivable</b>	<b>567</b>	<b>590</b>

Notes (continued)

27 Retirement benefits

**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 £6 million (2021: £5 million). At the period end the Group had outstanding contributions payable to the schemes of £1 million (2021: £Nil).

**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 single, separate trustee administered funds.

A full actuarial valuation for the Laurel Pub Pension scheme was carried out as at 29 February 2020. For the purposes of IAS19 the actuarial valuation as at 29 February 2020, which was carried out by a qualified independent actuary, has been updated on an approximate basis to 25 September 2022.

A full actuarial valuation for the Yates Group Pension scheme was carried out as at 29 February 2020. For the purposes of IAS19 the actuarial valuation as at 29 February 2020, which was carried out by a qualified independent actuary, has been updated on an approximate basis to 25 September 2022.

The following tables illustrate the impact of both the Laurel Pub Pension scheme and the Yates Group Pension scheme on the consolidated income statement, the consolidated statement of comprehensive income (SOCl) and the consolidated balance sheet.

The amounts recognised in the balance sheet are as follows:

	25 September 2022	26 September 2021
	£m	£m
<b>Laurel Pub Pension scheme</b>		
Fair value of plan assets	65	98
Present value of defined benefit obligation	(57)	(92)
Liability in the scheme	8	6
Effect of asset ceiling	(17)	(17)
<b>Net retirement benefit liability recognised in the balance sheet</b>	<b>(9)</b>	<b>(11)</b>
<b>Yates Group Pension scheme</b>		
Fair value of plan assets	11	15
Present value of defined benefit obligation	(10)	(14)
Surplus in the scheme	1	1
Effect of asset ceiling	-	-
<b>Net retirement benefit surplus recognised in the balance sheet</b>	<b>1</b>	<b>1</b>
<b>Total net retirement benefit recognised in the balance sheet</b>	<b>(8)</b>	<b>(10)</b>

As the Group has concluded there is no unconditional right to a surplus on wind up, the net deficit on the Laurel Pub Pension scheme has been recognised at the present value of minimum funding requirements.

At the end of the life of the Yates Group Pension scheme, the Company has an unconditional right to a refund and any such refund would be paid out only on a net of tax basis.

**Notes (continued)**

**27 Retirement benefits (continued)**

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

	25 September 2022	26 September 2021
	£m	£m
<b>Laurel Pub Pension scheme</b>		
Present value of scheme liabilities at beginning of period	92	93
Interest cost	2	1
Actuarial losses	(35)	4
Benefits paid	(2)	(6)
<b>Present value of scheme liabilities at end of period</b>	<b>57</b>	<b>92</b>
<b>Yates Group Pension scheme</b>	<b>£m</b>	<b>£m</b>
Present value of scheme liabilities at beginning of period	14	13
Actuarial losses	(3)	2
Benefits paid	(1)	(1)
<b>Present value of scheme liabilities at end of period</b>	<b>10</b>	<b>14</b>
<b>Total present value of scheme liabilities at end of period</b>	<b>67</b>	<b>106</b>

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

	25 September 2022	26 September 2021
	£m	£m
<b>Laurel Pub Pension scheme</b>		
Fair value of scheme assets at beginning of period	98	86
Interest income	2	1
Return on plan assets excluding interest income	(36)	12
Contributions paid by employer	3	5
Benefits paid	(2)	(6)
<b>Fair value of scheme assets at end of period</b>	<b>65</b>	<b>98</b>
<b>Yates Group Pension scheme</b>	<b>£m</b>	<b>£m</b>
Fair value of scheme assets at beginning of period	15	14
Return on plan assets excluding interest income	(4)	1
Contributions paid by employer	1	1
Benefits paid	(1)	(1)
<b>Fair value of scheme assets at end of period</b>	<b>11</b>	<b>15</b>
<b>Total fair value of scheme assets at end of period</b>	<b>76</b>	<b>113</b>

Notes (continued)

27 Retirement benefits (continued)

Interest costs are shown in finance costs and service costs and expenses are recognised in operating costs. The amounts recognised in the income statement for the period was £Nil (2021: £Nil).

Analysis of amounts recognised in the SOCI in the period:

	2022 52 weeks	2021 52 weeks
	£m	£m
<b>Laurel Pub Pension scheme</b>		
Return on plan assets excluding interest income	(36)	12
Experience gains	(3)	(2)
Effects of changes in financial assumptions	39	(2)
Effect of asset ceiling	-	(17)
<b>Re-measurement losses recognised in the SOCI</b>	<b>-</b>	<b>(9)</b>
<b>Yates Group Pension scheme</b>	<b>£m</b>	<b>£m</b>
Return on plan assets excluding interest income	(4)	1
Experience gains	4	(1)
Effects of changes in demographic assumptions	(1)	(1)
<b>Re-measurement gains recognised in the SOCI</b>	<b>(1)</b>	<b>(1)</b>
<b>Total re-measurement losses recognised in the SOCI</b>	<b>(1)</b>	<b>(10)</b>

Cumulative amounts recognised in the SOCI:

	25 September 2022	26 September 2021
	£m	£m
At beginning of period	(24)	(14)
Re-measurement losses in the period	(1)	(10)
<b>At end of period</b>	<b>(25)</b>	<b>(24)</b>

Notes (continued)

27 Retirement benefits (continued)

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

	2022	2021	2020	2019	2018
	£m	£m	£m	£m	£m
<b>Laurel Pub Pension scheme</b>					
Present value of retirement benefit liabilities	(57)	(92)	(93)	(93)	(79)
Fair value of plan assets	65	98	86	88	76
Net asset / (liability) in the scheme	8	6	(7)	(5)	(3)
Experience adjustment on scheme liabilities	(35)	4	-	-	(1)
Percentage of scheme liabilities	61.4%	(4.3)%	0.5%	0.1%	1.4%
Experience adjustments on scheme assets	(36)	12	(3)	12	-
Percentage of scheme assets	(55.4)%	12.2%	(3.2)%	13.9%	(0.4)%
<b>Yates Group Pension scheme</b>					
Present value of retirement benefit liabilities	(10)	(14)	(13)	(13)	(13)
Fair value of plan assets	11	15	14	14	13
Net asset in the scheme	1	1	1	1	-
Experience adjustment on scheme liabilities	(3)	2	-	-	-
Percentage of scheme liabilities	30.0%	(14.2)%	0.4%	0.1%	2.1%
Experience adjustments on scheme assets	(4)	1	-	1	-
Percentage of scheme assets	(36.3)%	6.7%	(1.7)%	10.4%	(0.9)%

The Group has agreed with the trustees of the Laurel Pub Pension scheme that it will aim to eliminate the deficit by the payment of annual contributions of £2 million each year until 2027. The Group will meet the other annual fees and expenses (excluding the annual PPF levy) incurred by the scheme subject to a cap of £270,000 per scheme year.

The full actuarial valuation of the Yates Group Pension scheme showed a deficit of £3 million. The Group has agreed with the trustees of the Yates Group Pension scheme that it will aim to eliminate the deficit by the payment of annual contributions of £500,000 per annum.

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:

	25 September 2022	26 September 2021
<b>Laurel Pub Pension Scheme</b>		
Male retiring in 2022	21.4 years	21.4 years
Female retiring in 2022	23.2 years	23.1 years
Male retiring in 2047	23.1 years	23.1 years
Female retiring in 2047	25.0 years	25.0 years
<b>Yates Group Pension Scheme</b>		
Male retiring in 2022	22.6 years	22.6 years
Female retiring in 2022	24.4 years	24.3 years
Male retiring in 2047	24.3 years	24.3 years
Female retiring in 2047	26.2 years	26.2 years

Notes (continued)

27 Retirement benefits (continued)

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

	25 September 2022	26 September 2021
<b>Laurel Pub Pension Scheme</b>		
Discount rate	5.2%	1.9%
Rate of increase in pension payment	3.1%	3.2%
Inflation (RPI)	3.3%	3.4%
Inflation (CPI)	2.8%	2.7%
<b>Yates Group Pension Scheme</b>		
Discount rate	5.2%	1.9%
Rate of increase in pension payment	2.7%	2.7%
Inflation (RPI)	3.3%	3.4%
Inflation (CPI)	2.8%	2.7%

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

	2022 £m	2021 £m
<b>Laurel Pub Pension Scheme</b>		
Equities	10	36
Bonds	52	55
Cash	1	7
Real estate	2	-
Fair value of plan assets	65	98
Actual return on plan assets	(34)	13
<b>Yates Group Pension Scheme</b>		
Equities	1	4
Bonds	8	8
Cash	2	3
Fair value of plan assets	11	15
Actual return on plan assets	(4)	1

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

		Impact on scheme liabilities	
		25 September 2022	26 September 2021
	Change in assumption	£m	£m
<b>Laurel Pub Pension Scheme</b>			
Discount rate	Increase of 2.5% p.a. (2021: increase of 0.10% p.a.)	(54)	(2)
Rate of inflation	Increase of 2.5% p.a. (2021: increase of 0.10% p.a.)	58	2
Rate of mortality	Increase in life expectancy of 1 year	57	3
<b>Yates Group Pension Scheme</b>			
Discount rate	Increase of 2.5% p.a. (2021: increase of 0.10% p.a.)	(10)	-
Rate of inflation	Increase of 2.5% p.a. (2021: increase of 0.10% p.a.)	11	-
Rate of mortality	Increase in life expectancy of 1 year	11	-

**Notes (continued)**

**27 Retirement benefits (continued)**

The sensitivities shown above are approximate. Each sensitivity considers one change in isolation. The inflation sensitivity includes the impact of changes to the assumptions for revaluation and pension increases. The average duration of the defined benefit obligation at the period ending 25 September 2022 is 14 years for the Laurel Pub Pension scheme (2021: 19 years) and 11 years for the Yates Group Pension scheme (2021: 14 years).

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

**28 Related party transactions**

Transactions between group companies, which are related parties, have been eliminated on consolidation and are not contained in this note.

*Transactions with senior management personnel*

Senior management comprises the executive directors and management board. There was no remuneration or contributions to pension schemes paid for the statutory directors during the financial period. The senior management personnel compensation is as follows:

	2022 52 weeks £m	2021 52 weeks £m
Salaries and short-term employee benefits	5	3
Post-employment pension benefits	-	-
	5	3

There was no other remuneration paid in either the current or prior period.

*Other related party transactions*

During the period the Group was invoiced management charges of £5 million which includes invoices for 2021 when none were invoiced (2021: £Nil million) by TDR Capital LLP. The amount outstanding at 25 September 2022 was £Nil (2021: £Nil).

The Group also operated a handful of public houses on behalf of entities affiliated with investment funds managed by TDR Capital LLP, known as Cubitt House Limited. The balance owing as a result of transactions on its behalf at 25 September 2022 was £163,000 (2021: £105,000).

Included in trade and other receivables is a balance of £2 million (2021: £2 million) owing from Stonegate Pub Company Holdings Limited, the immediate parent company.

Included in trade and other payables is a balance of £14 million (2021: £14 million) owing to Stonegate Pub Company Holdings Limited, the immediate parent company, relating to loan notes held by management.

In a prior period Stonegate Pub Company Limited provided a loan to Stonegate Pub Company Holdings Limited, the immediate parent company, of £6 million. The loan is repayable on demand and charges annual interest of SONIA + 2.50%. The amount owed of £7 million is included in trade and other receivables (2021: £6 million).

Included in amounts due from group undertakings is £4 million (2021: £Nil) due in more than one year. On 13 June 2022, Stonegate Pub Company provided a £4 million loan to Stonegate Pub Company Kitchens Limited, a company under common control of the ultimate parent company, Stonegate Pub Company Topco Sarl, a company incorporated in Luxembourg. The loan charges interest at a rate of 8.5% and expires in 2029.

**Notes (continued)**

**29 Management Incentive Plan**

During the period ended 29 September 2019; the Group established a management incentive plan to reward certain employees, including directors and managers, for their future service. Under the plan those employees will realise a gain only if there is a growth in the equity value of the business (subject to certain 'ratchets') and only if an exit event occurs. The award has been classified as equity-settled. An exit event would occur either upon an initial public offering of the Stonegate group ('IPO') or some other form of sale (e.g. to a trade buyer).

In the prior period, on 8 January 2021 the scheme was replaced with a new management incentive plan so that it also included certain legacy EIG employees and new Stonegate employees, alongside a change to the quantum of returns at an exit event following the acquisition of EI Group. The scheme is operated by the Group's ultimate owners and was established through subscription to shares in the Group's parent company, Stonegate Pub Company Holdings Limited. A total of 1.8 million shares were issued at an aggregate price of £19.9 million (£10.93 per share).

In the prior period in order to determine the fair value at the date of replacement, Management engaged a third party to value the MIP immediately before and after the replacement. The value, determined using a Monte Carlo simulation, was £13.5 million, which was an uplift of £2.1 million for new members and £2.8 million for the change in return parameters. No dividends will accrue under this award.

There is inherent uncertainty in determining a suitable vesting period given that an exit event, whilst within the control of the Group's ultimate owners, may not happen for many years if at all. However, for the purposes of considering the impact of IFRS 2, the directors have used a vesting period of 5 years. As a result, a charge of £1 million (2021: £1 million) has been recognised as an equity settled share based payment expense in the income statement.

There are no other share based payment schemes.

**30 Ultimate parent undertaking**

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

**31 Post balance sheet events**

There have been no post balance sheet events.