Stonegate Group

Stonegate Pub Company Limited

Condensed Consolidated Interim Financial Statements

For the 28 weeks ended 10 April 2022

Registered number FC029833

Contents

Consolidated Income Statement
For the 28 weeks ended 10 April 2022

		Unaudited 28 weeks ended 10 April 2022			Restated# Unaudited 28 weeks ended 11 April 2021			Restated# Audited 52 weeks ended 26 September 2021		
	Notes	**Pre-exceptional items £m**	**Exceptional items* £m**	**Total £m**	Pre-exceptional items £m	Exceptional items* £m	Total £m	Pre-exceptional items £m	Exceptional items* £m	Total £m
Revenue	2	**827**	**-**	**827**	128	-	128	707	-	707
Other income	3	**1**	**-**	**1**	86	-	86	94	14	108
Operating costs before depreciation and amortisation		**(593)**	**(3)**	**(596)**	(231)	(2)	(233)	(658)	(6)	(664)
EBITDA^		**235**	**(3)**	**232**	(17)	(2)	(19)	143	8	151
Depreciation and impairment		**(85)**	**(1)**	**(86)**	(88)	(1)	(89)	(165)	67	(98)
Revaluation of investment property		**-**	**-**	**-**	-	-	-	-	3	3
Brand amortisation		**-**	**-**	**-**	-	-	-	(1)	-	(1)
Total depreciation, amortisation, impairment and revaluation		**(85)**	**(1)**	**(86)**	(88)	(1)	(89)	(166)	70	(96)
Profit on sale of non-current assets		**6**	**-**	**6**	1	-	1	4	-	4
Operating profit / (loss)		**156**	**(4)**	**152**	(104)	(3)	(107)	(19)	78	59
Finance income	4	**-**	**1**	**1**	-	-	-	-	-	-
Finance costs	5	**(150)**	**-**	**(150)**	(144)	-	(144)	(273)	9	(264)
Movement in fair value of swaps		**(4)**	**-**	**(4)**	(24)	-	(24)	(28)	-	(28)
Profit / (loss) before taxation		**2**	**(3)**	**(1)**	(272)	(3)	(275)	(320)	87	(233)
Taxation	7	**-**	**-**	**-**	52	-	52	88	(48)	40
Profit / (loss) for the period		**2**	**(3)**	**(1)**	(220)	(3)	(223)	(232)	39	(193)
Attributable to:										
Owners of the parent company		**2**	**(3)**	**(1)**	(219)	(3)	(222)	(231)	39	(192)
Non-controlling interests		**-**	**-**	**-**	(1)	-	(1)	(1)	-	(1)

* Exceptional items are explained further in note 6.

^ EBITDA represents Operating profit / (loss) 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 6 to 23 form part of these condensed consolidated interim financial statements.

Consolidated Statement of Comprehensive Income
For the 28 weeks ended 10 April 2022

	Unaudited 28 weeks ended 10 April 2022 £m	Unaudited 28 weeks ended 11 April 2021 £m	Audited 52 weeks ended 26 September 2021 £m
Loss for the period	**(1)**	(223)	(193)
Items that will not be reclassified to the income statement			
Re-measurement of defined benefit pension schemes	**-**	-	(10)
Tax credit relating to components of other comprehensive income	**-**	-	1
Revaluation of assets on transfer to Investment Property	**-**	-	1
Other comprehensive losses after tax	**-**	-	(8)
Total comprehensive loss for the period	**(1)**	(223)	(201)

The notes on pages 6 to 23 form part of these condensed consolidated interim financial statements.

Consolidated Balance Sheet
At 10 April 2022

	Notes	**Unaudited 10 April 2022 £m**	Unaudited 11 April 2021 £m	Audited 26 September 2021 £m
Assets				
Non-current assets				
Property, plant and equipment	8	**3,952**	4,047	4,036
Investment property	9	**188**	132	161
Brand	11	**3**	4	3
Goodwill	11	**242**	243	242
Financial assets		**4**	7	4
Trade and other receivables	12	**4**	3	4
Retirement benefit surplus		**1**	1	1
		4,394	4,437	4,451
Current assets				
Inventories		**22**	12	21
Trade and other receivables	12	**113**	89	100
Cash and cash equivalents		**144**	123	224
Financial assets		**2**	2	3
		281	226	348
Non-current assets held for sale	10	**32**	37	21
Total assets		**4,707**	4,700	4,820
Liabilities				
Current liabilities				
Trade and other payables	13	**(358)**	(259)	(407)
Borrowings	14	**(175)**	(151)	(191)
		(533)	(410)	(598)
Non-current liabilities				
Borrowings	14	**(3,808)**	(3,972)	(3,857)
Derivative financial instruments	14	**(34)**	(27)	(30)
Deferred tax liabilities		**(81)**	(68)	(81)
Retirement benefit obligations		**(11)**	(6)	(11)
Provisions		**(6)**	(3)	(6)
		(3,940)	(4,076)	(3,985)
Total liabilities		**(4,473)**	(4,486)	(4,583)
Net assets		**234**	214	237
Equity				
Called up share capital		**5**	5	5
Share premium		**1,198**	1,198	1,198
Revaluation reserve		**1**	-	1
Capital contribution reserve		**1**	-	1
Retained earnings		**(968)**	(985)	(964)
Total equity attributable to owners of the parent company		**237**	218	241
Non-controlling interests		**(3)**	(4)	(4)
Total equity		**234**	214	237

The notes on pages 6 to 23 form part of these condensed consolidated interim financial statements.

Consolidated Statement of Changes in Equity
For the 28 weeks ended 10 April 2022

	Share capital £m	Share premium £m	Revaluation reserve £m	Capital contribution reserve £m	Retained earnings £m	Equity attributable to owners of the Parent Company £m	Non-controlling interests £m	Total equity £m
Total equity at 26 September 2021	**5**	**1,198**	**1**	**1**	**(964)**	**241**	**(4)**	**237**
Total comprehensive income / (losses):								
Losses for the period	-	-	-	-	(1)	(1)	-	(1)
Total comprehensive losses for the period	**-**	**-**	**-**	**-**	**(1)**	**(1)**	**-**	**(1)**
Change in ownership interest in subsidiary undertaking	-	-	-	-	(3)	(3)	1	(2)
Total equity at 10 April 2022	**5**	**1,198**	**1**	**1**	**(968)**	**237**	**(3)**	**234**
Total equity at 27 September 2020	**5**	**1,198**	**-**	**-**	**(763)**	**440**	**(3)**	**437**
Total comprehensive income / (losses):								
Losses for the period	-	-	-	-	(222)	(222)	(1)	(223)
Total comprehensive losses for the period	**-**	**-**	**-**	**-**	**(222)**	**(222)**	**(1)**	**(223)**
Total equity at 11 April 2021	**5**	**1,198**	**-**	**-**	**(985)**	**218**	**(4)**	**214**
Total equity at 27 September 2020	**5**	**1,198**	**-**	**-**	**(763)**	**440**	**(3)**	**437**
Total comprehensive income / (losses):								
Losses for the period	-	-			(192)	(192)	(1)	(193)
Other comprehensive losses for the period	-	-	1	-	(9)	(8)	-	(8)
Total comprehensive losses for the period	**-**	**-**	**1**	**-**	**(201)**	**(200)**	**(1)**	**(201)**
Capital contribution	-	-	-	1	-	1	-	1
Total equity at 26 September 2021	**5**	**1,198**	**1**	**1**	**(964)**	**241**	**(4)**	**237**

The notes on pages 6 to 23 form part of these condensed consolidated interim financial statements.

Consolidated Cash Flow Statement
For the 28 weeks ended 10 April 2022

	Unaudited 28 weeks ended 10 April 2022 £m	Unaudited 28 weeks ended 11 April 2021 £m	Audited 52 weeks ended 26 September 2021 £m
Cash flows from operating activities			
Loss for the period	**(1)**	(223)	(193)
Adjustments for:			
-Depreciation, amortisation and impairment	**86**	89	96
-Profit on sale of non-current assets	**(6)**	(1)	(4)
-Net finance costs and movement in swaps	**153**	168	292
-UK income tax credit	**-**	(52)	(40)
	232	(19)	151
Changes in:			
-Inventories	**(1)**	5	(4)
-Receivables	**(41)**	15	(4)
-Payables	**(14)**	(105)	48
-Difference between pension contributions paid and amounts recognised in operating profit	**-**	-	(5)
Cash generated from operating activities	**176**	(104)	186
Income tax paid	**(1)**	-	-
Net cash flow from operating activities	**175**	(104)	186
Cash flows from investing activities			
Purchase of property, plant and equipment	**(49)**	(15)	(53)
Net proceeds from sale of property, plant and equipment	**27**	26	66
Payment for non-controlling interest in subsidiary undertaking	**(2)**	-	-
Net cash flow from investing activities	**(24)**	11	13
Cash flows from financing activities			
Interest paid	**(164)**	(171)	(309)
Interest received	**1**	-	-
Advance of borrowings	**100**	250	485
Repayment of borrowings	**(115)**	(144)	(413)
Transaction costs related to loans and borrowings	**-**	(13)	(14)
Payment of principal portion of lease liabilities	**(53)**	-	(18)
Net cash flow from financing activities	**(231)**	(78)	(269)
Net decrease in cash and cash equivalents	**(80)**	(171)	(70)
Opening cash and cash equivalents	**224**	294	294
Closing cash and cash equivalents	**144**	123	224

The notes on pages 6 to 23 form part of these condensed consolidated interim financial statements.

Notes to the condensed consolidated interim financial statements

1 Accounting policies and basis of preparation

Stonegate Pub Company Limited (the "Company") is governed by Cayman Island Company Law and is limited by shares.

The condensed consolidated interim financial statements consolidates those results of the Company and its subsidiaries (together referred to as the "Group"). The condensed consolidated interim financial statements have been prepared in accordance with Companies Law (2013 Revision) of the Cayman Islands. As the Cayman Islands do not have prescribed accounting standards, the Group has elected to prepare the condensed consolidated interim financial statements in accordance with IAS 34 'Interim Financial Reporting as adopted for use in the UK', as allowed under Cayman Island Company Law.

The results for the current and comparative period are unaudited. The financial information for the year ended 26 September 2021 is extracted from the accounts for that year which are subject to a non-statutory audit for the purpose of filing accounts of the UK branch of this overseas Group and formally setting out the financial performance and position of the Group.

The condensed consolidated interim financial statements have been prepared on a consistent basis using the accounting policies set out in the Annual Report and Accounts for the year ended 26 September 2021. There have been no new standards that have been adopted during the period.

A prior year restatement has been recorded to correctly present revenue and operating costs before depreciation and amortisation in the income statement on page 1. The impact of the correction for the 28 weeks ended 11 April 2021 is a reduction to revenue of £3 million to £128 million and a reduction to operating costs of £3 million to £233 million. The impact of the correction for the 52 weeks ended 26 September 2021 is a reduction to revenue of £7 million to £707 million and a reduction to operating costs of £7 million to £664 million. There is no net impact on EBITDA or on the prior period balance sheet or on the cash flow statement.

1.1 Going concern

The Board have reviewed the cash flow forecasts for 12 months following approval of these accounts and have concluded that the Group has sufficient liquidity in order to service its debt and meet its other liabilities as they fall due such that it remains appropriate to prepare the accounts under the going concern basis.

The financial position of the Group is set out in the Consolidated Balance Sheet on page 3 which shows net assets of £234 million (11 April 2021: £214 million; 26 September 2021: £237 million). During the period ended 10 April 2022 the Group has experienced a net cash outflow of £80 million (28 weeks ended 11 April 2021: £171 million; 52 weeks ended 26 September 2021: £70 million) which was a result of the impact of the new Covid-19 variant in December 2021, repayment of lockdown debts (rent, fees, tax) and the Government's 'Plan B' restrictions in response to this variant which impacted negatively on the Christmas trading period and meant it became appropriate to draw £60 million of the Group's revolving credit facility.

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 £225 million. The continued availability of the revolving credit facility is subject to compliance with covenants and the facility is scheduled to reduce by £50 million in July 2022. 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 (current period: £252 million; 11 April 2021: £184 million; 26 September 2021: £250 million). At the balance sheet date, the Group was financed by external debt (excluding lease liabilities) totalling £3,147 million (11 April 2021: £3,081 million; 26 September 2021: £3,222 million), details of which are set out in note 14.

The Covid-19 pandemic has had a significant impact on the liquidity of the Group since the initial closure of the estate on 20 March 2020. The Group has implemented appropriate measures to reduce the impact on the business, including cost reduction, accessing benefits from the Government support schemes including the Coronavirus Job Retention Scheme, business rates relief and HMRC deferment of indirect tax, postponement of refurbishments and other capital expenditure projects.

Notes *(continued)*

1.1 Going concern *(continued)*

The base case forecasts covering 12 months from the balance sheet date reflect the relaxation of all restrictions and trade returning to normalised levels, being trading post restrictions in the summer of 2021.

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.

Given the success of the vaccine and booster roll-out programs, the Board do not believe further national lockdowns are likely. However, at the same time the Board is mindful of the current trading environment pressures and considers it reasonable to assess a downside scenario taking into account the impact that future further restrictions may have and has therefore considered a severe but plausible 'Omicron-style' downside scenario that includes the effect of further restrictions on trading in the going concern assessment period. These forecasts also reflect controllable mitigating actions within its control, principally scaling down the expected capital expenditure program for FY23.

This downside scenario indicates that the Group would continue to meet its debt and other liquidity requirements, taking into account the scheduled reduction of the revolving credit facility in July 2022. The directors are currently seeking a replacement for the maturing RCF facility and are confident alternative debt could be raised should it be required.

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.

Based on the above, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, even though current trading is in line with base case forecasts and has recovered well since reopening last year, it remains appropriate to model downside scenarios, and to ensure the replacement of the scheduled reduction in facilities or alternative funding being available if required. This indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern for the going concern assessment period. These financial statements do not contain the adjustments that would result if the Group were unable to continue as a going concern.

1.2 Key accounting judgements

The following are the key judgements that management have made in the period in applying the Group's accounting policies as disclosed in the financial statements of the Group for the period ended 26 September 2021.

Impairment of property, plant, equipment and goodwill

The Group's performance post the Covid-19 pandemic has been in line with forecasts used in the September 2021 impairment review. Therefore, Management do not consider there to be any further indicators of impairment that would result in an impairment review at the current reporting date.

Valuation 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. Management have judged that the valuation reached at 26 September 2021 still represents the best estimate of the fair value of such properties at 10 April 2022.

Going concern

The directors exercise judgement when concluding on going concern as the basis of preparation of the condensed consolidated interim financial statements. For further details see note 1.1.

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 / (loss) 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.

2022 **28 weeks**	**Leased and tenanted** **£m**	**Managed** **£m**	**Operator-led** **£m**	**Central** **£m**	**Total** **£m**
Drink revenue	149	399	100	-	648
Rent revenue	61	-	-	-	61
Food revenue	-	79	1	-	80
Revenue from amusement and other machines	3	11	7	-	21
Admission, accommodation and other revenue	1	15	1	-	17
Total revenue	**214**	**504**	**109**	**-**	**827**
Other income	-	1	-	-	1
Operating costs before depreciation and amortisation	(88)	(376)	(82)	(50)	(596)
EBITDA	**126**	**129**	**27**	**(50)**	**232**
Depreciation and amortisation					(86)
Profit on sale of non-current assets					6
Net finance costs and movement in fair value of swaps					(153)
Loss before tax					**(1)**
Taxation					-
Loss after tax					**(1)**

Notes *(continued)*

2 Segmental reporting *(continued)*

2021 **28 weeks**	**Leased and tenanted** **£m**	**Managed** **£m**	**Operator-led** **£m**	**Central** **£m**	**Total** **£m**
Drink revenue	31	39	12	-	82
Rent revenue	22	-	-	-	22
Food revenue	-	15	-	-	15
Revenue from amusement and other machines	1	1	1	-	3
Admission, accommodation and other revenue	5	1	-	-	6
Total revenue	**59**	**56**	**13**	**-**	**128**
Other income	-	70	5	11	86
Operating costs before depreciation and amortisation	(22)	(144)	(19)	(48)	(233)
EBITDA	**37**	**(18)**	**(1)**	**(37)**	**(19)**
Depreciation and amortisation					(89)
Profit on sale of non-current assets					1
Net finance costs and movement in fair value of swaps					(168)
Loss before tax					**(275)**
Taxation					52
Loss after tax					**(223)**

2021 **52 weeks**	**Leased and tenanted** **£m**	**Managed** **£m**	**Operator-led** **£m**	**Central** **£m**	**Total** **£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					(292)
Loss before tax					**(233)**
Taxation					40
Loss after tax					**(193)**

Notes *(continued)*

3 Other income

	28 weeks ended 10 April 2022 £m	28 weeks ended 11 April 2021 £m	52 weeks ended 26 September 2021 £m
Government grants	**1**	86	94
Business interruption insurance	**-**	-	14
Total government grants	**1**	86	108

During the period £1 million was recognised from government grants. In the 28 weeks ended 10 April 2021 £75 million was recognised within other income in relation to the Coronavirus Job Retention Scheme and £11 million was recognised in relation to 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 Finance income

	28 weeks ended 10 April 2022 £m	28 weeks ended 11 April 2021 £m	52 weeks ended 26 September 2021 £m
Other interest receivable	**1**	-	-
Total finance income	**1**	-	-

5 Finance costs

	28 weeks ended 10 April 2022 £m	28 weeks ended 11 April 2021 £m	52 weeks ended 26 September 2021 £m
Interest payable on loan notes	**120**	113	212
Other interest payable	**3**	5	10
Debt issue costs amortisation	**-**	-	1
Refinancing costs	**-**	-	(8)
Discounting of lease liabilites	**27**	26	49
Total finance costs	**150**	144	264

Notes *(continued)*

6 Exceptional items

	28 weeks ended 10 April 2022 £m	28 weeks ended 11 April 2021 £m	52 weeks ended 26 September 2021 £m
Operating exceptional costs / (gains)			
Acquisition and integration costs	**-**	2	1
Business interruption insurance	**-**	-	(14)
Surrender premiums	**2**	-	1
Other costs	**1**	-	4
Movements in valuation of the estate and related assets	**1**	1	(70)
	4	3	(78)
Finance income	**(1)**	-	(9)
UK income tax credit relating to exceptional items	**-**	-	48
Total exceptional costs / (gains)	**3**	3	(39)

Acquisition 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 in relation to an insurance claim relating to business interruption during this period of closure.

Surrender premiums: During the period £2 million (28 weeks ended 11 April 2021: £Nil; 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)*

6 Exceptional items *(continued)*

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

	28 weeks ended 10 April 2022 £m	28 weeks ended 11 April 2021 £m	52 weeks ended 26 September 2021 £m
Impairment of property, plant and equipment (note 8)	**2**	1	42
Impairment of non-current assets held for sale (note 10)	**-**	-	1
Reversal of impairment of property plant and equipment (note 8)	**(1)**	-	(117)
Net movement from impairment / (reversal of impairment)	**1**	1	(74)
Movement in investment property from revaluation of the estate (note 9)	**-**	-	(3)
Revaluation of property, plant and equipment on transfer to investment property (note 8)	**-**	-	7
Total movements in valuation of the estate and related assets	**1**	1	(70)

Finance income: Included in the 28 weeks ended 10 April 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 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.

7 Taxation

	28 weeks ended 10 April 2022 £m	28 weeks ended 11 April 2021 £m	52 weeks ended 26 September 2021 £m
Tax charged in the income statement			
Current tax:			
- UK corporation tax	-	-	-
- Adjustments in respect of previous periods	-	-	-
Total current tax credit	**-**	-	-
Deferred tax:			
- Origination and reversal of temporary differences	-	(52)	(51)
- Adjustments in respect of previous periods	-	-	(8)
- Rate change	-	-	19
Total deferred tax credit	**-**	(52)	(40)
Total current and deferred tax credited in the income statement	**-**	(52)	(40)

In the 3 March 2021 Budget, it was announced that the UK tax rate will increase to 25% from 1 April 2023. This had a consequential effect on the Group's deferred tax credit in FY21 as the rate change had been substantively enacted during FY21. There are no further rate changes currently expected.

Notes *(continued)*

8 Property, plant and equipment

	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
Cost							
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 10)	-	(29)	-	(3)	-	-	(32)
Transfer to investment properties (note 9)	(4)	(35)	-	(1)	-	-	(40)
Fully depreciated assets	-	-	-	-	(56)	-	(56)
At 26 September 2021	997	3,042	179	200	241	67	4,726
Additions	-	20	4	6	20	6	56
Modifications	6	-	-	-	-	-	6
Disposals	(5)	-	(1)	-	(4)	-	(10)
Transfer to non-current assets held for sale (note 10)	(1)	(32)	-	(3)	-	-	(36)
Transfer to investment properties (note 9)	(8)	(21)	-	(1)	-	-	(30)
At 10 April 2022	**989**	**3,009**	**182**	**202**	**257**	**73**	**4,712**
Depreciation							
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 6)	(2)	(40)	-	-	-	-	(42)
Impairment reversal (note 6)	6	107	3	-	1	-	117
Disposals	3	-	3	-	7	-	13
Transfer to non-current assets held for sale (note 10)	-	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	(32)	(7)	(6)	(11)	(23)	(5)	(84)
Impairment charge (note 6)	-	(2)	-	-	-	-	(2)
Impairment reversal (note 6)	-	1	-	-	-	-	1
Disposals	1	-	1	-	2	-	4
Transfer to investment properties (note 9)	-	2	-	-	-	-	2
Transfer to non-current assets held for sale (note 10)	-	9	-	-	-	-	9
At 10 April 2022	**(179)**	**(272)**	**(77)**	**(44)**	**(154)**	**(34)**	**(760)**
Net book value							
At 10 April 2022	**810**	**2,737**	**105**	**158**	**103**	**39**	**3,952**
At 26 September 2021	849	2,767	107	167	108	38	4,036

Notes *(continued)*

8 Property, plant and equipment *(continued)*

	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
Cost							
At 27 September 2020	1,003	3,094	180	197	288	62	4,824
Additions	-	5	1	1	4	2	13
Modifications	1	-	-	-	-	-	1
Disposals	(2)	-	(1)	-	(3)	-	(6)
Transfer to non-current assets held for sale (note 10)	-	(16)	-	(2)	-	-	(18)
Transfer to investment properties (note 9)	-	(11)	-	-	-	-	(11)
At 11 April 2021	**1,002**	**3,072**	**180**	**196**	**289**	**64**	**4,803**
Depreciation							
At 27 September 2020	(91)	(342)	(59)	(14)	(151)	(19)	(676)
Charge for the period	(35)	(7)	(6)	(10)	(27)	(3)	(88)
Impairment	-	(1)	-	-	-	-	(1)
Disposals	1	-	1	-	2	-	4
Transfer to investment properties (note 9)	-	1	-	-	-	-	1
Transfer to non-current assets held for sale (note 10)	-	3	-	1	-	-	4
Reclassification of impairment charge	-	7	(7)	-	-	-	-
At 11 April 2021	**(125)**	**(339)**	**(71)**	**(23)**	**(176)**	**(22)**	**(756)**
Net book value							
At 11 April 2021	**877**	**2,733**	**109**	**173**	**113**	**42**	**4,047**
At 27 September 2020	912	2,752	121	183	137	43	4,148

9 Investment property

	Right-of-use assets £m	Land and buildings £m	Total £m
Fair value			
At 27 September 2020	20	104	124
Transfer from property, plant and equipment (note 8)	4	36	40
Transfer to non-current assets held for sale (note 10)	-	(6)	(6)
Revaluation	(1)	4	3
At 26 September 2021	23	138	161
Transfer from property, plant and equipment (note 8)	8	20	28
Transfer to non-current assets held for sale (note 10)	-	(1)	(1)
At 10 April 2022	**31**	**157**	**188**
At 27 September 2020	20	104	124
Transfer from property, plant and equipment (note 8)	-	10	10
Transfer to non-current assets held for sale (note 10)	-	(2)	(2)
At 11 April 2021	**20**	**112**	**132**

Notes *(continued)*

10 Non-current assets held for sale

	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 8)	-	-	22	3	-	25
Transfer from investment properties (note 9)	-	-	6	-	-	6
Impairment (note 6)	-	-	(1)	-	-	(1)
Disposals	4	(4)	(51)	-	(2)	(53)
At 26 September 2021	(1)	3	15	4	-	21
Transfer from property, plant and equipment (note 8)	-	1	23	3	-	27
Additions	-	-	1	-	-	1
Transfer from investment properties (note 9)	-	-	1	-	-	1
Disposals	1	(1)	(18)	-	-	(18)
At 10 April 2022	**-**	**3**	**22**	**7**	**-**	**32**
At 27 September 2020	(5)	7	39	1	2	44
Transfer from property, plant and equipment (note 8)	-	-	13	1	-	14
Transfer from investment properties (note 9)	-	-	2	-	-	2
Disposals	-	-	(23)	-	-	(23)
At 11 April 2021	**(5)**	**7**	**31**	**2**	**2**	**37**

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 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 62 sites (11 April 2021: 80 sites; 26 September 2021: 42 sites).

Notes *(continued)*

11 Brand and goodwill intangible assets

	Brand £m	Goodwill £m
Cost		
At 27 September 2020	6	247
Disposals	-	(1)
At 26 September 2021	6	246
Disposals	-	-
At 10 April 2022	**6**	**246**
Amortisation		
At 27 September 2020	(2)	(4)
Charge for the year	(1)	-
At 26 September 2021	(3)	(4)
Charge for the period	-	-
At 10 April 2022	**(3)**	**(4)**
Net book value		
At 10 April 2022	**3**	**242**
At 26 September 2021	3	242

	Brand £m	Goodwill £m
Cost		
At 27 September 2020	6	247
Disposals	-	-
At 11 April 2021	**6**	**247**
Amortisation		
At 27 September 2020	(2)	(4)
Charge for the period	-	-
At 11 April 2021	**(2)**	**(4)**
Net book value		
At 11 April 2021	**4**	**243**
At 27 September 2020	4	243

Notes *(continued)*

12 Trade and other receivables

	10 April 2022 £m	11 April 2021 £m	26 September 2021 £m
Trade receivables	**40**	37	50
Amounts due from parent undertakings	**8**	7	8
Other receivables	**12**	21	14
Prepayments and accrued income	**48**	19	24
Current tax receivable	**5**	5	4
	113	89	100
Due in more than one year:			
Trade receivables	**4**	3	4
	4	3	4

13 Trade and other payables

	10 April 2022 £m	11 April 2021 £m	26 September 2021 £m
Trade payables	**108**	38	132
Amounts due to parent undertakings	**2**	2	2
Other taxation and social security	**31**	24	52
Other payables	**59**	47	46
Accruals	**158**	148	175
	358	259	407

Notes *(continued)*

14 Borrowings

	10 April 2022 £m	11 April 2021 £m	26 September 2021 £m
Current liabilities			
Securitised bonds	**117**	116	116
Lease liabilities	**58**	35	75
	175	151	191
Non-current liabilities			
Revolving credit facility	**58**	172	(2)
Securitised bonds	**496**	614	582
Senior secured notes issued by Stonegate Pub Company Financing 2019 plc	**1,248**	1,086	1,250
Privately placed notes issued by Stonegate Pub Company Financing 2019 plc	**504**	505	504
Euro floating rate notes issued by Stonegate Pub Company Financing 2019 plc	**438**	273	438
Euro senior term loan	**-**	176	-
Second lien facility	**391**	390	390
Lease liabilities	**673**	756	695
	3,808	3,972	3,857

Terms and debt repayment schedule:

		Principal outstanding		
	Year of maturity	**10 April 2022 £m**	11 April 2021 £m	26 September 2021 £m
Securitised bonds - A4	2027	**215**	244	237
Securitised bonds - M	2024	**155**	225	208
Securitised bonds - N	2032	**190**	190	190
Senior secured notes	2025	**1,235**	1,070	1,235
Privately placed notes	2025	**500**	500	500
Euro floating rate notes	2025	**452**	274	452
Euro senior term loan	2027	**-**	178	-
Second lien facility	2028	**400**	400	400
		3,147	3,081	3,222

Notes *(continued)*

14 Borrowings *(continued)*

All financial assets and liabilities, with the exception of derivative financial instruments, are carried at amortised cost. The fair values of all financial instruments are either equal to, or not materially different from their book values, with the exception of securitised bonds, senior secured notes, privately placed notes and euro floating rate notes. The book values and fair values of these financial instruments are summarised below:

	Fair value			Carrying value		
	10 April 2022 £m	11 April 2021 £m	26 September 2021 £m	**10 April 2022 £m**	11 April 2021 £m	26 September 2021 £m
Securitised bonds - A4	**231**	272	265	**231**	267	257
Securitised bonds - M	**162**	229	218	**162**	239	218
Securitised bonds - N	**227**	183	228	**220**	224	223
Senior secured notes	**1,268**	1,129	1,301	**1,248**	1,086	1,250
Privately placed notes	**510**	523	518	**504**	505	504
Euro floating rate notes	**411**	270	424	**438**	273	438
	2,809	2,606	2,954	**2,803**	2,594	2,890

Derivative financial instruments

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

	10 April 2022 £m	11 April 2021 £m	26 September 2021 £m
Cross currency interest rate swaps			
Non-current liabilities	**34**	3	30
	34	3	30

The interest rate swaps replace the Euribor rate on the Group's €496 million floating rate loan notes with a fixed rate.

Notes *(continued)*

15 Net debt

	At 26 September 2021 £m	Cash flow £m	Non-cash movements £m	At 10 April 2022 £m
Cash at bank and in hand	224	(80)	-	144
Loans and borrowings	(3,278)	15	11	(3,252)
Lease liabilities	(770)	80	(41)	(731)
	(3,824)	15	(30)	(3,839)
Debt due within one year				(175)
Debt due after one year				(3,808)
Cash at bank and in hand				144
Net debt per balance sheet				**(3,839)**

	At 27 September 2020 £m	Cash flow £m	Non-cash movements £m	At 11 April 2021 £m
Cash at bank and in hand	294	(171)	-	123
Loans and borrowings	(3,242)	(93)	3	(3,332)
Lease liabilities	(805)	-	14	(791)
	(3,753)	(264)	17	(4,000)
Debt due within one year				(151)
Debt due after one year				(3,972)
Cash at bank and in hand				123
Net debt per balance sheet				**(4,000)**

	At 27 September 2020 £m	Cash flow £m	Non-cash movements £m	At 26 September 2021 £m
Cash at bank and in hand	294	(70)	-	224
Loans and borrowings	(3,242)	(58)	22	(3,278)
Lease liabilities	(805)	84	(49)	(770)
	(3,753)	(44)	(27)	(3,824)
Debt due within one year				(191)
Debt due after one year				(3,857)
Cash at bank and in hand				224
Net debt per balance sheet				**(3,824)**

Underlying net debt represents amounts repayable to banks and other lenders net of cash retained in the business. Cash includes £68 million (11 April 2021: £85 million, 26 September 2021: £106 million) held in the securitised Unique sub-group, of which £15 million (11 April 2021: £43 million, 26 September 2021: £28 million) is held in a securitised reserve account.

Notes *(continued)*

16 Leases

Leases as a lessee

Impacts for the period

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. The following table sets out the movement in the Group's right-of-use assets during the period and the carrying value at 10 April 2022:

	Investment property	Non-current assets held for sale	Property, plant and equipment		Total
			Property	Vehicles	
Right-of-use-assets	**£m**	**£m**	**£m**	**£m**	**£m**
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	8	1	(3)	-	6
Depreciation charge for the period	-	-	(32)	-	(32)
Derecognition	-	(1)	(4)	-	(5)
At 10 April 2022	**31**	**3**	**806**	**4**	**844**
At 27 September 2020	20	7	908	4	939
Modifications	-	-	1	-	1
Depreciation charge for the period	-	-	(35)	-	(35)
Derecognition	-	-	(1)	-	(1)
At 11 April 2021	**20**	**7**	**873**	**4**	**904**

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

Leases under IFRS 16	**28 weeks ended 10 April 2022 £m**	28 weeks ended 11 April 2021 £m	52 weeks ended 26 September 2021 £m
Interest expense on lease liabilities	**27**	26	49
Depreciation of right of use assets	**32**	35	64
Impairment of right of use assets	**-**	-	2
Impairment reversal of right of use assets	**-**	-	(6)
Revaluation of right of use assets	**-**	-	1
	59	61	110

Notes *(continued)*

16 Leases *(continued)*

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

	28 weeks ended 10 April 2022 £m	28 weeks ended 11 April 2021 £m	52 weeks ended 26 September 2021 £m
Interest payments	**27**	41	66
Principal payments	**53**	-	18
Total cash outflow for leases	**80**	41	84

In relation to those leases under IFRS 16, for the 28 weeks ending 10 April 2022, the Group's operating profit metric improved by £17 million as the new depreciation expense is lower than the IAS 17 operating lease charge. Interest expense was charged of £27 million, such that net profit after tax is lower compared to the previous IAS 17 reporting basis. Operating profit before depreciation, amortisation, impairment and profit on sale of non-current assets is higher compared to the previous IAS 17 reporting basis.

17 Pensions

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

The defined benefit obligation as at 10 April 2022 is calculated on a year-to-date basis using the latest actuarial valuation as at 29 February 2020 and the minimum funding requirements as at 26 September 2021, which was carried out by a qualified independent actuary. Differences between the expected return on assets and the actual return on assets have been recognised as an actuarial gain or loss in the consolidated statement of total recognised gains and losses in accordance with the Group's accounting policy.

The Group also participates in defined contribution pension schemes for the benefit of certain employees. The assets of the schemes are held separately from those of the Group in independently administered funds.

The amount charged to the profit and loss account represents the contributions payable to the schemes in respect of the accounting period.

18 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not contained in this note.

Included in amounts due from parent undertakings is a balance of £1 million owing from Stonegate Pub Company Pikco Limited, a parent undertaking (11 April 2021: £1 million, 26 September 2021: £1 million).

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 10 April 2022 and included in amounts due from parent undertakings is £91,000 (11 April 2021: £61,000, 26 September 2021: £105,000).

In a prior period Stonegate Pub Company Limited provided a loan to Stonegate Pub Company Holdings Limited, a parent undertaking, of £6 million. The loan expired on 4 April 2022 and charged annual interest of LIBOR + 2.50%. The amount owed of £6 million is included in trade and other receivables (11 April 2021: £6 million included in non-current trade and other receivables, 26 September 2021: £6 million included in current trade and other receivables).

Notes *(continued)*

18 Related party transactions *(continued)*

There is an amount of £2 million (11 April 2021: £2 million, 26 September 2021: £2 million) owing to Stonegate Pub Company Midco Limited, the immediate parent undertaking, at 16 January 2021, which is included in trade and other payables.

During the period the Group was invoiced management charges of £5 million (11 April 2021: £Nil, 26 September 2012: £Nil) by TDR Capital LLP. The amount outstanding at 10 April 2022 was £Nil (11 April 2021: £Nil, 26 September 2021: £Nil).

19 Seasonality of operations

The business is subject to seasonal fluctuations dependant on public holidays and the weather.

20 Post balance sheet events

Subsequent to the period end the loan provided by Stonegate Pub Company Limited to Stonegate Pub Company Holdings Limited, a parent undertaking, was extended for two years.

Furthermore, on 13 June 2022, Stonegate Pub Company Limited 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, in relation to a minority investment in Peckwater Brands. The loan will charge interest at a rate of 8.5% and expires in 2029.