Stonegate Group

OPERATING AND FINANCIAL REVIEW
FOR THE 28 WEEKS ENDED 9 APRIL 2023

Stonegate Pub Company Limited announces its trading update for the 28 week period to 9 April 2023 (2022: 28 week period to 10 April 2022).

Current Trading

For the 28 weeks to 9 April 2023, like for like sales in the managed estate were 6.1% up on the equivalent period in the prior year. Craft Union, the Group's fast-growing, operator-led business continues to impress and delivered a standout performance with strong like for like sales of 14.7%, as well as reaching the milestone of 500 sites during the period under review. The leased and tenanted division also traded well, demonstrating consistent growth with like for like sales of 5.3%. Total revenue for the period was £904 million compared to £827 million in the prior year and £1,611 million in the 52 weeks ended 25 September 2022. Of the £904 million, the managed segment contributed £545 million (28 weeks 2022: £504 million, 52 weeks 2022: £976 million), whilst the leased and tenanted pubs, being Pub Partners and Commercial Property, together contributed £215 million (28 weeks 2022: £214 million, 52 weeks 2022: £416 million) and the operator-led segment, contributed £144 million (28 weeks 2022: £109 million, 52 weeks 2022: £219 million).

Sales for the 28 weeks to 9 April 2023 were favourable compared to the equivalent period in the prior year. Whilst the macroeconomic environment continues to have an impact on the Group and the cost of living crisis has led to lower profit and operating cashflows than would otherwise have resulted had these conditions not existed, overall the Group has delivered a highly respectable performance, further demonstrating the resilience of its high quality pub portfolio.

During the 28 weeks to 9 April 2023, the Group achieved adjusted EBITDA of £182 million (28 weeks 2022: £195 million; 52 weeks 2022: £400 million) and operating profit of £139 million (28 weeks 2022: £152 million; 52 weeks 2022: £118 million). The loss before taxation for the 28 week period is £30 million (28 weeks 2022: loss of £1 million; 52 weeks 2022: loss of £130 million). The loss after taxation for the 28 week period is £22 million (28 weeks 2022: loss of £1 million, 52 weeks 2022: loss of £127 million).

Capital Expenditure

In the 28 week period the Group has spent £86 million (28 weeks 2022: £49 million, 52 weeks 2022: £140 million) on expansionary, conversion and maintenance capital.

Property

The Group has disposed of 29 trading sites, six non-trading sites and two non-licensed properties for net proceeds of £18 million in the 28 weeks to 9 April 2023, which also includes the sale of fixtures and fittings to publicans (28 weeks 2022: 37 trading sites and two non-trading properties for net proceeds of £27 million, 52 weeks 2022: 63 trading sites; two non-trading sites and four non-licensed properties for net proceeds of £46 million). Included in the number of disposals were six lease hand backs for £Nil proceeds (28 weeks 2022: five, 52 weeks 2022: eight).

Financial position

The Group has net assets of £89 million at 9 April 2023 (10 April 2022: net assets of £235 million, 25 September 2022: net assets of £109 million). Group cash at the quarter end is £83 million (10 April 2022: £144 million, 25 September 2022: £133 million), of which £23 million is held within the Unique securitisation, and the Group had access to a further £67 million from its revolving credit facility and a further £25 million overdraft facility.

OPERATING AND FINANCIAL REVIEW
FOR THE 28 WEEKS ENDED 9 APRIL 2023
(continued)

During the period, on 7 March 2023 the Group agreed an additional £50 million RCF A facility, the terms being consistent with the existing facility expiring in September 2024. The Group also agreed, on 16 March 2023, an extension of the £23 million RCF B facility to September 2024 in line with the A facility.

The Group Consolidated Income Statement discloses statutory (loss) / profit information that includes items disclosed in the tables below which Management believe if separately disclosed allow a better 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		
	28 weeks ended 9 April 2023 £m	28 weeks ended 10 April 2022 £m	52 weeks ended 25 September 2022 £m	**28 weeks ended 9 April 2023 £m**	28 weeks ended 10 April 2022 £m	52 weeks ended 25 September 2022 £m
Revenue	**904**	827	1,611	**904**	827	1,611
Other income	**-**	1	1	**-**	1	1
Operating costs before depreciation and amortisation	**(686)**	(596)	(1,147)	**(722)**	(633)	(1,212)
EBITDA	**218**	232	465	**182**	195	400
Operating profit	**139**	152	118	**102**	113	250

	28 weeks ended 9 April 2023 £m	28 weeks ended 10 April 2022 £m	52 weeks ended 25 September 2022 £m
EBITDA	**218**	232	465
Business interruption insurance	**-**	-	4
Surrender premiums	**1**	2	3
Management fees	**1**	1	2
Equity settled share based payment expense	**1**	1	1
Pension scheme service costs	**-**	-	1
Losses on disposed/non-trading sites	**1**	-	-
Other non-recurring costs	**1**	1	1
IFRS 16	**(41)**	(42)	(77)
Adjusted EBITDA	**182**	195	400

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 28 weeks ending 9 April 2023, the Group's operating profit before depreciation, amortisation, impairment, revaluation and loss on sale of non-current assets improved by £41 million as operating lease rentals are no longer included in operating profit. Depreciation of right-of-use assets and lease liability interest are instead included below operating profit. The directors consider 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.

Stonegate Group

Stonegate Pub Company Limited

Condensed Consolidated Interim Financial Statements

For the 28 weeks ended 9 April 2023

Registered number 12086428

Contents

Consolidated Income Statement
For the 28 weeks ended 9 April 2023

		Unaudited 28 weeks ended 9 April 2023			Unaudited 28 weeks ended 10 April 2022			Audited 52 weeks ended 25 September 2022		
	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	**904**	**-**	**904**	827	-	827	1,611	-	1,611
Other income	3	**-**	**-**	**-**	1	-	1	1	-	1
Operating costs before depreciation and amortisation		**(685)**	**(1)**	**(686)**	(593)	(3)	(596)	(1,139)	(8)	(1,147)
EBITDA^		**219**	**(1)**	**218**	235	(3)	232	473	(8)	465
Depreciation and impairment		**(81)**	**(2)**	**(83)**	(85)	(1)	(86)	(157)	(196)	(353)
Revaluation of investment property		**-**	**-**	**-**	-	-	-	-	1	1
Brand amortisation		**-**	**-**	**-**	-	-	-	(1)	-	(1)
Total depreciation, amortisation, impairment and revaluation		**(81)**	**(2)**	**(83)**	(85)	(1)	(86)	(158)	(195)	(353)
Profit on sale of non-current assets		**-**	**4**	**4**	-	6	6	-	6	6
Operating profit / (loss)		**138**	**1**	**139**	150	2	152	315	(197)	118
Finance income	4	**-**	**-**	**-**	-	1	1	1	1	2
Finance costs	5	**(157)**	**-**	**(157)**	(150)	-	(150)	(283)	-	(283)
Movement in fair value of swaps		**(12)**	**-**	**(12)**	(4)	-	(4)	33	-	33
(Loss) / profit before taxation		**(31)**	**1**	**(30)**	(4)	3	(1)	66	(196)	(130)
Taxation	7	**8**	**-**	**8**	-	-	-	(17)	20	3
(Loss) / profit for the period		**(23)**	**1**	**(22)**	(4)	3	(1)	49	(176)	(127)
Attributable to:										
Owners of the parent company		**(23)**	**1**	**(22)**	(4)	3	(1)	49	(176)	(127)
Non-controlling interests		**-**	**-**	**-**	-	-	-	-	-	-

* 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.

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 9 April 2023

	Unaudited 28 weeks ended 9 April 2023 £m	Unaudited 28 weeks ended 10 April 2022 £m	Audited 52 weeks ended 25 September 2022 £m
Loss for the period	**(22)**	(1)	(127)
Items that will not be reclassified to the income statement			
Re-measurement of defined benefit pension schemes	**-**	-	(1)
Revaluation of assets on transfer to Investment Property	**1**	-	1
Other comprehensive income after tax	**1**	-	-
Total comprehensive loss for the period	**(21)**	(1)	(127)

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

Consolidated Balance Sheet
At 9 April 2023

	Notes	**Unaudited 9 April 2023 £m**	Unaudited 10 April 2022 £m	Audited 25 September 2022 £m
Assets				
Non-current assets				
Property, plant and equipment	8	**3,753**	3,952	3,800
Investment property	9	**229**	188	212
Brand	11	**2**	3	2
Goodwill	11	**196**	242	197
Financial assets		**4**	4	4
Trade and other receivables	12	**7**	4	8
Retirement benefit surplus		**1**	1	1
		4,192	4,394	4,224
Current assets				
Inventories		**24**	22	22
Trade and other receivables	12	**114**	113	79
Cash and cash equivalents		**83**	144	133
Financial assets		**1**	2	1
Derivative financial instruments	14	**-**	-	2
		222	281	237
Non-current assets held for sale	10	**30**	32	19
Total assets		**4,444**	4,707	4,480
Liabilities				
Current liabilities				
Trade and other payables	13	**(321)**	(357)	(329)
Borrowings	14	**(150)**	(175)	(159)
Derivative financial instruments	14	**(10)**	-	-
		(481)	(532)	(488)
Non-current liabilities				
Borrowings	14	**(3,790)**	(3,808)	(3,791)
Derivative financial instruments	14	**-**	(34)	-
Deferred tax liabilities		**(69)**	(81)	(77)
Retirement benefit obligations		**(9)**	(11)	(9)
Provisions		**(6)**	(6)	(6)
		(3,874)	(3,940)	(3,883)
Total liabilities		**(4,355)**	(4,472)	(4,371)
Net assets		**89**	235	109
Equity				
Called up share capital		**5**	5	5
Share premium		**1,198**	1,198	1,198
Revaluation reserve		**3**	1	2
Capital contribution reserve		**3**	2	2
Retained earnings		**(1,118)**	(968)	(1,095)
Total equity attributable to owners of the parent company		**91**	238	112
Non-controlling interests		**(2)**	(3)	(3)
Total equity		**89**	235	109

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 9 April 2023

	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 25 September 2022	**5**	**1,198**	**2**	**2**	**(1,095)**	**112**	**(3)**	**109**
Total comprehensive income / (losses):								
Losses for the period	**-**	**-**	**-**	**-**	**(22)**	**(22)**	**-**	**(22)**
Other comprehensive income for the period	**-**	**-**	**1**	**-**	**-**	**1**	**-**	**1**
Total comprehensive losses for the period	**-**	**-**	**1**	**-**	**(22)**	**(21)**	**-**	**(21)**
interest in subsidiary undertaking	**-**	**-**	**-**	**-**	**(1)**	**(1)**	**1**	**-**
Capital contribution	**-**	**-**	**-**	**1**	**-**	**1**	**-**	**1**
Total equity at 9 April 2023	**5**	**1,198**	**3**	**3**	**(1,118)**	**91**	**(2)**	**89**
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)
Capital contribution	-	-	-	1	-	1	-	1
Total equity at 10 April 2022	5	1,198	1	2	(968)	238	(3)	235
Total equity at 26 September 2021	5	1,198	1	1	(964)	241	(4)	237
Total comprehensive income / (losses):								
Losses for the period	-	-	-	-	(127)	(127)	-	(127)
Other comprehensive income / (losses) for the period	-	-	1	-	(1)	-	-	-
Total comprehensive losses	-	-	1	-	(128)	(127)	-	(127)
Change in ownership interest in subsidiary undertaking	-	-	-	-	(3)	(3)	1	(2)
Capital contribution	-	-	-	1	-	1	-	1
Total equity at 25 September 2022	5	1,198	2	2	(1,095)	112	(3)	109

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 9 April 2023

	Unaudited 28 weeks ended 9 April 2023 £m	Unaudited 28 weeks ended 10 April 2022 £m	Audited 52 weeks ended 25 September 2022 £m
Cash flows from operating activities			
Loss for the period	**(22)**	(1)	(127)
Adjustments for:			
-Depreciation, amortisation and impairment	**83**	86	353
-Profit on sale of non-current assets	**(4)**	(6)	(6)
-Finance income	**-**	(1)	(2)
-Finance costs	**157**	150	283
-Movement in swaps	**12**	4	(33)
-UK income tax credit	**(8)**	-	(3)
	218	232	465
Changes in:			
-Inventories	**(2)**	(1)	(1)
-Receivables	**(9)**	(41)	4
-Payables	**(24)**	(14)	(64)
-Difference between pension contributions paid and amounts recognised in operating profit	**-**	-	(4)
Cash generated from operating activities	**183**	176	400
Interest received	**-**	1	2
Income tax paid	**(2)**	(1)	-
Net cash flow from operating activities	**181**	176	402
Cash flows from investing activities			
Purchase of property, plant and equipment	**(86)**	(49)	(140)
Net proceeds from sale of property, plant and equipment	**18**	27	46
Loan made to group undertaking	**-**	-	(4)
Net cash flow from investing activities	**(68)**	(22)	(98)
Cash flows from financing activities			
Interest paid	**(164)**	(164)	(302)
Advance of borrowings	**249**	100	190
Repayment of borrowings	**(214)**	(115)	(221)
Transaction costs related to loans and borrowings	**(3)**	-	-
Payment of principal portion of lease liabilities	**(31)**	(53)	(60)
Payment for non-controlling interest in subsidiary undertaking	**-**	(2)	(2)
Net cash flow from financing activities	**(163)**	(234)	(395)
Net decrease in cash and cash equivalents	**(50)**	(80)	(91)
Opening cash and cash equivalents	**133**	224	224
Closing cash and cash equivalents	**83**	144	133

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 25 September 2022 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 25 September 2022. There have been no new standards that have been adopted during the period.

1.1 Going concern

The Board have reviewed the cash flow forecasts for the Group for the period through to July 2024 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 £89 million (10 April 2022: £235 million; 25 September 2022: £109 million). During the period ended 9 April 2023 the Group has experienced a net cash outflow of £50 million (28 weeks ended 10 April 2022: £80 million; 52 weeks ended 25 September 2022: £91 million) which was a result of the significant continued impact on the Group of the macroeconomic environment.

The Group has continued to meet its day-to-day working capital requirements through its standard trading cycle of cash generation, charging and collecting rents from publicans and its overdraft facility of £25 million and revolving credit facility of £248 million at the period end. 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: £259 million; 10 April 2022: £251 million; 25 September 2022: £251 million).

At the balance sheet date, the Group was financed by external debt (excluding lease liabilities) totalling £3,039 million (10 April 2022: £3,147 million; 25 September 2022: £3,121 million), details of which are set out in note 14.

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.

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.

Notes *(continued)*

1.1 Going concern *(continued)*

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 on FY23 budgeted utility costs from part-way through FY24. It has been assumed that variable costs move in line with the reduction in sales.

During the period, the Group agreed an additional £50 million RCF facility, terms remaining the same as the existing facility and expiring in September 2024. The Group also, on 16 March 2023, agreed to extend the RCF B facility due to expire in July 2023 to September 2024 in line with the rest of the facility. These have been reflected in the modelled scenarios.

The severe but plausible forecasts indicate that the Group has sufficient liquidity in order to continue to meet its liabilities as they fall due. However, these 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.

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, and in downside scenarios, the agreement of lenders to further waivers of RCF covenant breaches indicate 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, and therefore that the 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 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 25 September 2022.

Impairment of property, plant, equipment and goodwill

The Group's performance has been in line with forecasts used in the September 2022 impairment review. Therefore, Management do not consider there to be any further indicators of impairment that would trigger 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 25 September 2022 still represents the best estimate of the fair value of such properties at 9 April 2023.

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 five distinguishable revenue generating operating segments being Pub Partners, Commercial Property, Stonegate, Craft Union and Joint Ventures, 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 – 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.

2023 **28 weeks**	**Leased and tenanted** **£m**	**Managed** **£m**	**Operator-led** **£m**	**Central** **£m**	**Total** **£m**
Drink revenue	148	420	130	-	698
Rent revenue	63	-	-	-	63
Food revenue	-	91	1	-	92
Revenue from amusement and other machines	4	13	12	-	29
Admission, accommodation and other revenue	-	21	1	-	22
Total revenue	**215**	**545**	**144**	**-**	**904**
Operating costs before depreciation and amortisation	(89)	(431)	(105)	(61)	(686)
EBITDA	**126**	**114**	**39**	**(61)**	**218**
Depreciation and amortisation					(83)
Profit on sale of non-current assets					4
Net finance costs and movement in fair value of swaps					(169)
Loss before tax					**(30)**
Taxation					8
Loss after tax					**(22)**

Notes *(continued)*

2 Segmental reporting *(continued)*

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	(87)	(373)	(81)	(55)	(596)
EBITDA	**127**	**132**	**28**	**(55)**	**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)**

2022 **52 weeks**	**Leased and tenanted £m**	**Managed £m**	**Operator-led £m**	**Central £m**	**Total £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 swaps					(248)
Loss before tax					**(130)**
Taxation					3
Loss after tax					**(127)**

Notes *(continued)*

3 Other income

	28 weeks ended 9 April 2023 £m	28 weeks ended 10 April 2022 £m	52 weeks ended 25 September 2022 £m
Government grants	**-**	1	1
Total government grants	**-**	1	1

4 Finance income

	28 weeks ended 9 April 2023 £m	28 weeks ended 10 April 2022 £m	52 weeks ended 25 September 2022 £m
Other interest receivable	**-**	1	2
Total finance income	**-**	1	2

5 Finance costs

	28 weeks ended 9 April 2023 £m	28 weeks ended 10 April 2022 £m	52 weeks ended 25 September 2022 £m
Interest payable on loan notes	**123**	120	225
Other interest payable	**5**	3	5
Debt issue costs amortisation	**1**	-	1
Other finance costs	**2**	-	3
Interest expense on lease liabilites	**26**	27	49
Total finance costs	**157**	150	283

Notes *(continued)*

6 Exceptional items

	28 weeks ended 9 April 2023 £m	28 weeks ended 10 April 2022 £m	52 weeks ended 25 September 2022 £m
Operating exceptional (gains) / costs			
Business interruption insurance	**-**	-	4
Surrender premiums	**1**	2	3
Other costs	**-**	1	1
Movements in valuation of the estate and related assets	**2**	1	151
Impairment of goodwill	**-**	-	44
Profit on sale of non-current assets	**(4)**	(6)	(6)
	(1)	(2)	197
Net finance income	**-**	(1)	(1)
UK income tax credit relating to exceptional items	**-**	-	(20)
Total exceptional (gains) / costs	**(1)**	(3)	176

Business interruption insurance: Following the closure of pubs as a result of Covid-19 the Group incurred £4 million of costs in the 52 weeks ended 25 September 2022 in relation to an insurance claim relating to business interruption during this period of closure.

Surrender premiums: During the period £1 million (28 weeks ended 10 April 2022: £2 million; 52 weeks ended 25 September 2022: £3 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 28 weeks ended 10 April 2022 and in the 52 weeks ended 25 September 2022.

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

	28 weeks ended 9 April 2023 £m	28 weeks ended 10 April 2022 £m	52 weeks ended 25 September 2022 £m
Impairment of property, plant and equipment (note 8)	**1**	2	199
Impairment of non-current assets held for sale (note 10)	**1**	-	1
Reversal of impairment of property plant and equipment (note 8)	**-**	(1)	(55)
Net movement from impairment	**2**	1	145
Movement in investment property from revaluation of the estate (note 9)	**-**	-	(1)
Revaluation of property, plant and equipment on transfer to investment property (note 8)	**-**	-	7
Total movements in valuation of the estate and related assets	**2**	1	151

Impairment of goodwill: Impairment of £44 million was recognised in the 52 weeks ended 25 September 2022.

Notes *(continued)*

6 Exceptional items *(continued)*

Profit on sale of non-current assets: 37 properties (28 weeks ended 10 April 2022: 39 properties; 52 weeks ended 25 September 2022: 69 properties) were disposed in the current period generating an overall profit on disposal of £4 million (28 weeks ended 10 April 2022: £6 million; 52 weeks ended 25 September 2022: £6 million).

Net finance income: Included in the 28 weeks ended 10 April 2022 and the 52 weeks ended 25 September 2022 £1 million of interest was received from HMRC in relation to a repayment.

7 Taxation

	28 weeks ended 9 April 2023 £m	28 weeks ended 10 April 2022 £m	52 weeks ended 25 September 2022 £m
Tax charged in the income statement			
Current tax:			
- UK corporation tax	**-**	-	1
Total current tax charge	**-**	-	1
Deferred tax:			
- Origination and reversal of temporary differences	**(8)**	-	(8)
- Adjustments in respect of previous periods	**-**	-	4
Total deferred tax credit	**(8)**	-	(4)
Total current and deferred tax credited in the income statement	**(8)**	-	(3)

In the 3 March 2021 Budget, it was announced that the UK tax rate increased 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)*

8 Property, plant and equipment

	Right-of-use assets	Land and buildings	Leasehold improvements	Landlords' fixtures and fittings	Furniture, fixtures and equipment	Non-licensed properties and other assets	Total
	£m	£m	£m	£m	£m	£m	£m
Cost							
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 10)	(1)	(34)	-	(3)	-	-	(38)
Transfer to investment properties (note 9)	(8)	(50)	-	(2)	-	-	(60)
Fully depreciated assets	-	-	-	-	(30)	-	(30)
At 25 September 2022	999	3,010	187	210	242	81	4,729
Additions	-	29	4	11	31	6	81
Modifications	2	-	-	-	-	-	2
Fair value on transfer to investment properties:							
-Revaluation reserve	-	1	-	-	-	-	1
Disposals	(7)	-	(2)	-	(5)	-	(14)
Transfer to non-current assets held for sale (note 10)	-	(26)	(1)	(2)	-	-	(29)
Transfer to investment properties (note 9)	-	(20)	-	(1)	-	-	(21)
At 9 April 2023	**994**	**2,994**	**188**	**218**	**268**	**87**	**4,749**
Depreciation							
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 6)	(32)	(162)	(5)	-	-	-	(199)
Impairment reversal (note 6)	7	47	1	-	-	-	55
Disposals	1	1	1	1	8	-	12
Transfer to investment properties (note 9)	-	10	-	-	-	-	10
Transfer to non-current assets held for sale (note 10)	-	10	-	-	-	-	10
Fully depreciated assets	-	-	-	-	30	-	30
At 25 September 2022	(233)	(383)	(87)	(51)	(136)	(39)	(929)
Charge for the period	(31)	(7)	(6)	(9)	(23)	(5)	(81)
Impairment charge (note 6)	-	(1)	-	-	-	-	(1)
Disposals	2	-	2	-	2	-	6
Transfer to investment properties (note 9)	-	1	-	-	-	-	1
Transfer to non-current assets held for sale (note 10)	-	8	-	-	-	-	8
At 9 April 2023	**(262)**	**(382)**	**(91)**	**(60)**	**(157)**	**(44)**	**(996)**
Net book value							
At 9 April 2023	**732**	**2,612**	**97**	**158**	**111**	**43**	**3,753**
At 25 September 2022	766	2,627	100	159	106	42	3,800

Notes *(continued)*

8 Property, plant and equipment *(continued)*

	Right-of-use assets	Land and buildings	Leasehold improvements	Landlords' fixtures and fittings	Furniture, fixtures and equipment	Non-licensed properties and other assets	Total
	£m	£m	£m	£m	£m	£m	£m
Cost							
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 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

9 Investment property

	Right-of-use assets	Land and buildings	Total
	£m	£m	£m
Fair value			
At 26 September 2021	23	138	161
Transfer from property, plant and equipment (note 8)	8	42	50
Transfer to non-current assets held for sale (note 10)	-	(1)	(1)
Revaluation	(1)	2	1
Modifications	1	-	1
At 25 September 2022	31	181	212
Transfer from property, plant and equipment (note 8)	-	20	20
Transfer to non-current assets held for sale (note 10)	-	(3)	(3)
At 9 April 2023	**31**	**198**	**229**
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**

Notes *(continued)*

10 Non-current assets held for sale

	Lease liabilities £m	Right-of-use assets £m	Land and buildings £m	Leasehold improvements £m	Landlords' fixtures and fittings £m	Furniture, fixtures and equipment £m	Total £m
At 26 September 2021	(1)	3	15	-	1	3	21
Transfer from property, plant and equipment (note 8)	-	1	24	-	3	-	28
Transfer from investment properties (note 9)	-	-	1	-	-	-	1
Impairment (note 6)	-	-	(1)	-	-	-	(1)
Disposals	1	(1)	(30)	-	-	-	(30)
At 25 September 2022	-	3	9	-	4	3	19
Transfer from property, plant and equipment (note 8)	-	-	18	1	2	-	21
Transfer from investment properties (note 9)	-	-	3	-	-	-	3
Impairment (note 6)	-	-	(1)	-	-	-	(1)
Disposals	-	-	(12)	-	-	-	(12)
At 9 April 2023	**-**	**3**	**17**	**1**	**6**	**3**	**30**
At 26 September 2021	(1)	3	15	-	1	3	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**	**-**	**4**	**3**	**32**

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 51 sites at 9 April 2023 (10 April 2022: 62 sites; 25 September 2022: 36 sites).

Notes *(continued)*

11 Brand and goodwill intangible assets

	Brand £m	Goodwill £m
Cost		
At 26 September 2021	6	246
Disposals	-	(1)
At 25 September 2022	6	245
Disposals	-	(1)
At 9 April 2023	**6**	**244**
Amortisation		
At 26 September 2021	(3)	(4)
Charge for the year	(1)	-
Impairment (note 6)	-	(44)
At 25 September 2022	(4)	(48)
At 9 April 2023	**(4)**	**(48)**
Net book value		
At 9 April 2023	**2**	**196**
At 25 September 2022	2	197

	Brand £m	Goodwill £m
Cost		
At 26 September 2021	6	246
At 10 April 2022	**6**	**246**
Amortisation		
At 26 September 2021	(3)	(4)
At 10 April 2022	**(3)**	**(4)**
Net book value		
At 10 April 2022	**3**	**242**
At 26 September 2021	3	242

Notes *(continued)*

12 Trade and other receivables

	9 April 2023 £m	10 April 2022 £m	25 September 2022 £m
Trade receivables	**59**	40	48
Amounts due from parent undertakings	**8**	8	8
Other receivables	**19**	12	10
Prepayments and accrued income	**23**	48	10
Current tax receivable	**5**	5	3
	114	113	79
Due in more than one year:			
Trade receivables	**3**	4	4
Amounts due from group undertakings	**4**	-	4
	7	4	8

13 Trade and other payables

	9 April 2023 £m	10 April 2022 £m	25 September 2022 £m
Trade payables	**86**	108	84
Amounts due to parent undertakings	**2**	2	2
Other taxation and social security	**45**	31	44
Other payables	**54**	59	47
Accruals	**134**	157	152
	321	357	329

Notes *(continued)*

14 Borrowings

	9 April 2023 £m	10 April 2022 £m	25 September 2022 £m
Current liabilities			
Securitised bonds	**119**	117	117
Lease liabilities	**31**	58	42
	150	175	159
Non-current liabilities			
Revolving credit facility	**177**	58	69
Securitised liquidity facility	**6**	-	-
Securitised bonds	**372**	496	464
Senior secured notes issued by Stonegate Pub Company Financing	**1,245**	1,248	1,245
Privately placed notes issued by Stonegate Pub Company Financing	**503**	504	504
Euro floating rate notes issued by Stonegate Pub Company Financing	**438**	438	438
Second lien facility	**392**	391	391
Lease liabilities	**657**	673	680
	3,790	3,808	3,791

During the period, on 7 March 2023 the Group agreed an additional £50 million RCF A facility, the terms being consistent with the existing facility expiring in September 2024. The Group also agreed, on 16 March 2023, an extension of the £23 million RCF B facility to September 2024 in line with the A facility.

Terms and debt repayment schedule:

		Principal outstanding		
	Year of maturity	9 April 2023 £m	10 April 2022 £m	25 September 2022 £m
Securitised bonds - A4 - 5.659%	2027	**182**	215	207
Securitised bonds - M - 7.395%	2024	**80**	155	137
Securitised bonds - N - 6.464%	2032	**190**	190	190
Senior secured notes - 8.25%	2025	**1,235**	1,235	1,235
Privately placed notes - 8.00%	2025	**500**	500	500
Euro floating rate notes - Euribor + 5.75%	2025	**452**	452	452
Second lien facility - SONIA + 8.50%	2028	**400**	400	400
		3,039	3,147	3,121

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		
	9 April 2023	10 April 2022	25 September 2022	**9 April 2023**	10 April 2022	25 September 2022
	£m	£m	£m	**£m**	£m	£m
Securitised bonds - A4	**179**	231	207	**194**	231	221
Securitised bonds - M	**80**	162	138	**82**	162	141
Securitised bonds - N	**190**	227	215	**215**	220	219
Senior secured notes	**1,142**	1,268	1,118	**1,245**	1,248	1,245
Privately placed notes	**457**	510	452	**503**	504	504
Euro floating rate notes	**411**	411	402	**438**	438	438
	2,459	2,809	2,532	**2,677**	2,803	2,768

Derivative financial instruments

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

	9 April 2023	10 April 2022	25 September 2022
	£m	£m	£m
Cross currency interest rate swaps			
Current assets	**-**	-	(2)
Current liabilities	**10**	-	-
Non-current liabilities	-	34	-
	10	34	(2)

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.

Notes *(continued)*

15 Net debt

	At 25 September 2022 £m	Cash flow £m	Non-cash movements £m	At 9 April 2023 £m
Cash at bank and in hand	133	(50)	-	83
Loans and borrowings	(3,228)	(32)	8	(3,252)
Lease liabilities	(722)	57	(23)	(688)
	(3,817)	(25)	(15)	(3,857)
Debt due within one year				(150)
Debt due after one year				(3,790)
Cash at bank and in hand				83
Net debt per balance sheet				**(3,857)**

	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 26 September 2021 £m	Cash flow £m	Non-cash movements £m	At 25 September 2022 £m
Cash at bank and in hand	224	(91)	-	133
Loans and borrowings	(3,278)	284	(234)	(3,228)
Lease liabilities	(770)	109	(61)	(722)
	(3,824)	302	(295)	(3,817)
Debt due within one year				(159)
Debt due after one year				(3,791)
Cash at bank and in hand				133
Net debt per balance sheet				**(3,817)**

Underlying net debt represents amounts repayable to banks and other lenders net of cash retained in the business. Cash includes £23 million (10 April 2022: £68 million, 25 September 2022: £69 million) held in the securitised Unique sub-group, of which £Nil (10 April 2022: £15 million, 25 September 2022: £15 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 9 April 2023:

Right-of-use-assets	Investment property £m	Non-current assets held for sale £m	Property, plant and equipment: Property £m	Property, plant and equipment: Vehicles £m	Total £m
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)	-	-
At 25 September 2022	31	3	763	3	800
Modifications	-	-	2	-	2
Depreciation charge for the period	-	-	(31)	-	(31)
Derecognition	-	-	(5)	-	(5)
At 9 April 2023	**31**	**3**	**729**	**3**	**766**
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**

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

Leases under IFRS 16	**28 weeks ended 9 April 2023 £m**	28 weeks ended 10 April 2022 £m	52 weeks ended 25 September 2022 £m
Interest expense on lease liabilities	**26**	27	49
Depreciation of right of use assets	**31**	32	61
Impairment of right of use assets	**-**	-	33
Impairment reversal of right of use assets	**-**	-	(7)
Expenses relating to leases of low-value assets	**1**	-	1
Variable lease payments	**1**	-	1
Covid-19 rent concessions	**-**	(3)	(4)

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 9 April 2023 £m	28 weeks ended 10 April 2022 £m	52 weeks ended 25 September 2022 £m
Interest payments	**26**	27	49
Principal payments	**31**	53	60
Total cash outflow for leases	**57**	80	109

In relation to those leases under IFRS 16, for the 28 weeks ending 9 April 2023, the Group's operating profit metric improved by £10 million as the new depreciation expense is lower than the IAS 17 operating lease charge. Interest expense was charged of £26 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 9 April 2023 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 25 September 2022, 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 (10 April 2022: £1 million, 25 September 2022: £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 9 April 2023 and included in amounts due from parent undertakings is £164,000 (10 April 2022: £91,000, 25 September 2022: £163,000).

In a prior period, Stonegate Pub Company Limited provided a loan to Stonegate Pub Company Holdings Limited, a parent undertaking. 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 (10 April 2022: £6 million, 25 September 2022: £7 million).

Notes *(continued)*

18 Related party transactions *(continued)*

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 charges interest at a rate of 8.5% and expires in 2029. The amount of £4 million is included in trade and other receivables due after one year (10 April 2022: £Nil; 25 September 2022: £4 million).

There is an amount of £2 million (10 April 2022: £2 million, 25 September 2022: £2 million) owing to Stonegate Pub Company Midco Limited, the immediate parent undertaking, at 9 April 2023, which is included in trade and other payables.

During the period the Group was invoiced management charges of £1 million (10 April 2022: £5 million, 25 September 2022: £5 million which included invoices for 2021 when none were invoiced) by TDR Capital LLP. The amount outstanding at 9 April 2023 was £Nil (10 April 2022: £Nil, 25 September 2022: £Nil).

19 Seasonality of operations

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

20 Post balance sheet events

There have been no post balance sheet events.