# Stonegate Group

Annual report and financial statements

For the 53 weeks ended 29 September 2024

Registered number FC029833

**Contents**

**Strategic report**

The Directors present their strategic report for Stonegate Pub Company Limited and its subsidiaries (together "the Group") for the 53 weeks ended 29 September 2024 (2023: 52 weeks ended 24 September 2023).

Stonegate is the largest pub owning company in the United Kingdom, with 4,370 operating sites at the period-end (2023: 4,432). The Stonegate Group encompasses five businesses with each one delivering a distinctive operating model. We optimise value creation by ensuring every one of our sites has the right operating model, value proposition and people in place.

**Pub Partners**
Our leased and tenanted estate comprises 2,735 operating pubs at the period end (2023: 2,745 pubs). These sites are let to publicans on tied leases and tenancies, such that as well as paying rent for the pub, each publican is tied into buying certain drink products from the Group. The publicans also have access to a large support infrastructure which is dedicated to supporting and empowering them to run great businesses. The Pub Partners' estate is spread across England and Wales.

**Stonegate**
Our Managed estate comprising 674 operating sites at the period end (2023: 799 sites) is diversified with a mix of branded and unbranded pubs, bars and clubs, and is located across England, Scotland and Wales. The Group ensures that no matter what the brand or size of venue, each guest receives a warm Stonegate welcome in exciting, relevant and safe surroundings. Our Managed sites are run under a traditional managed model such that the Group employs all staff, incurs all costs and has full responsibility for all compliance matters, but in return directs the retail offer and has access to the full retail margin.

**Craft Union**
The Group has 612 operating Craft Union pubs across England and Wales at the period end (2023: 550 pubs) which sit at the heart of the communities they serve. The simple idea behind Craft Union is to deliver good quality drinks at a competitive price accompanied by varied entertainment in a well-invested pub for the locals. These pubs are run under an operator agreement whereby each pub is run by an Operator who receives a percentage of turnover. The Operator is responsible for all labour, but all other costs and responsibilities sit with the Group.

**Commercial Properties**
Our Commercial Properties estate comprises 315 operating pubs at the period end (2023: 288 pubs) which are let on free-of-tie terms to commercial landlords. These sites, although similar to the Pub Partners estate, do not have the same support infrastructure and the relationship with each tenant is purely driven by the lease agreement.

**Managed Investments**
The Group has partnered with some of the best operators in the pub industry in order to tap into their expertise to deliver optimum value in more specialist areas where the Group has less experience. There are currently 34 operating pubs (2023: 50 pubs) in this model with six different partners and sites are predominately based in London and the South East. The vast majority of these sites are run under the traditional managed model.

**Strategic report** *(continued)*

**Vision and Values**

The Group's vision is:

**"Bringing people together through our passion for great pubs, bars, and venues."**

In order to deliver our mission, we focus on five key pillars:

**1. Always offer the warmest welcome to every guest**

Great hospitality starts with the warmest of welcomes. We aim to ensure that every guest experiences that when visiting any of our pubs, bars, and venues. This is accompanied by constantly evolving formats to reflect consumer demand, the best retail offers, and market leading operator support, ensuring that guests come back to us again and again.

**2. Always look after our teams, as they make the difference**

Our key resource is our people, who are critical to delivering our mission. We know that an engaged workforce reduces turnover and improves stability, and when coupled with market leading learning and development opportunities, this allows us to attract, retain, and develop an incredibly capable, talented team.

**3. Always strive to improve and innovate**

In the competitive environment in which we operate, it is critical that we are restless, innovative, and avoid becoming complacent. Through continued concept development, digital and technology investment to support guest engagement, and continually reviewing and modernising our ways of working, this is a key pillar of our culture and how we generate sales and profit growth.

**4. Position every site for success**

An important part of our strategy is to constantly review our diverse estate, ensuring that each pub sits within the operating format or model which allows it to be most successful and to generate the most profit for the group. We use a data and insights led approach to facilitate this, helping us ensure that our sites are best placed to serve the communities in which they are situated.

**5. Promote safety and efficiency**

The Group's strategy is underpinned by a firm and resolute focus at all levels of the organisation on safety. Our fundamental priority is making sure that our operations are safe for our team and for our guests. The Group takes safety and compliance with all legal requirements extremely seriously. We continually assess our systems and processes as a team and restlessly seek more efficient ways of working wherever possible.

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

- We have **FUN** – we take pride and enjoy what we do; we celebrate success and recognise achievements; we go out of our way to make sure customers and teams have a great time; fun never compromises our safe and legal responsibility.
- We **INVEST** wisely – we spend the Company's money like it's our own; we keep looking for smarter and more efficient ways of doing things; we effectively plan and prepare; we invest our time and money in developing talent.
- **RARING** to go – We hit the ground running; we are willing to get involved; we commit to doing our best every day; we are adaptable and see change as an opportunity.
- We are **STRAIGHTFORWARD** – We keep things simple and do not over complicate; we do what we say we are going to do; we are open and honest with each other; we approach challenges with solutions in mind.
- We are one **TEAM** – We treat each other with respect; we develop ourselves and our teams; we share great ideas; we take responsibility for our actions.

**Strategic report** *(continued)*

**Business model**

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

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

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

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

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

**Business review**

The results for the Group for the 53 weeks ended 29 September 2024 are shown in the consolidated income statement on page 23. Total revenue for the period was £1,747 million compared to £1,719 million in the 52 weeks ended 24 September 2023. Of the £1,747 million, the managed segment contributed £974 million (52 weeks 2023: £1,011 million), whilst the leased and tenanted pubs, being Pub Partners and Commercial Property, together contributed £440 million (52 weeks 2023: £427 million) and the operator-led segment, contributed £333 million (52 weeks 2023: £281 million). Pre-exceptional operating profit for the period was £336 million (52 weeks 2023: pre-exceptional operating profit of £293 million). Post-exceptional operating profit for the period was £249 million (52 weeks 2023: £68 million). Loss before tax was £214 million (52 weeks 2023: loss of £257 million). The financial position of the Group is set out in the consolidated balance sheet on page 25 which shows net assets of £791 million (2023: net assets of £601 million). Net increase in cash and cash equivalents in the period was £79 million (52 weeks 2023: decrease of £41 million).

Sales for the 53 weeks to 29 September 2024 were favourable compared to 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.

In the period the Group has spent £148 million on expansionary, conversion and maintenance capital (52 weeks 2023: £144 million).

The Group has disposed of 70 trading sites, five non licensed and two non-trading property in the period for net proceeds of £58 million (52 weeks 2023: 68 trading sites; ten non licensed, and eight non-trading properties for net proceeds of £49 million), which also includes the sale of fixtures and fittings to publicans. Included in the number of disposals were 15 lease hand backs for £1 million proceeds (52 weeks 2023: nine). In addition to the above the Group completed a sale and lease back agreement on ten properties realising further proceeds of £10 million.

**Strategic report** *(continued)*

**Business review** *(continued)*

**Group Key Performance Indicators**

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

| Financial KPIs – Group | 2024 52 weeks* | 2023 52 weeks |
|---|---|---|
| Managed Turnover Growth (like for like) | (0.3)% | 3.0% |
| Operator Led Turnover Growth (like for like) | 1.9% | 10.3% |
| L&T Turnover Growth (like for like) | 3.3% | 5.5% |

*For 2024, like for like measures have been shown on a 52-week comparable basis.

Like for like represents turnover compared to the previous comparable period, for the sites in each segment that were trading throughout the current and previous period.

The Group Income Statement discloses statutory (loss) / profit information that includes items disclosed in the tables below which Management believe if separately disclosed allow a clearer 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 | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **53 weeks** | 52 weeks | **53 weeks** | 52 weeks |
| | **£m** | £m | **£m** | £m |
| Revenue | **1,747** | 1,719 | **1,747** | 1,719 |
| Other income | **30** | - | **30** | - |
| Operating costs before depreciation and amortisation | **(1,300)** | (1,277) | **(1,383)** | (1,344) |
| EBITDA | **477** | 442 | **394** | 375 |
| Operating profit | **249** | 68 | **261** | 219 |

| | **2024** | 2023 |
|---|---|---|
| | **53 weeks** | 52 weeks |
| | **£m** | £m |
| EBITDA | **477** | 442 |
| Business interruption insurance | **(30)** | 1 |
| Surrender premiums | **1** | 2 |
| Business reorganisation | **8** | 5 |
| Management fees | **1** | 2 |
| Equity settled share based payment expense | **1** | 1 |
| Pension scheme service (credits) / costs | **1** | (1) |
| Losses on disposed/non-trading sites | **6** | 1 |
| Professional fees associated with Group restructuring | **11** | - |
| Other non-recurring costs | **2** | - |
| IFRS 16 | **(84)** | (78) |
| **Adjusted EBITDA** | **394** | 375 |

**Strategic report** *(continued)*

**Business review** *(continued)*

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 53 weeks ending 29 September 2024, the Group's operating profit before depreciation, amortisation, impairment, revaluation and profit on sale of non-current assets improved by £84 million as operating lease rentals are not included in operating profit (52 weeks 2023: £78 million). Depreciation of right-of-use assets and lease liability interest are instead included below operating profit. Further information on leases can be found in note 26. The Directors consider the adjusted EBITDA provides useful information about the Group's performance and aids a comparison of the Group's trading performance from one period to the next and with similar businesses.

Adjusted Operating profit represents statutory operating profit adjusted for the other items shown above in the adjusted EBITDA reconciliation and the impact of £111 million reduction in the value of the estate and goodwill (52 weeks 2023: £226 million reduction) and profit on sale of non-current assets of £16 million (52 weeks 2023: £8 million).

**Non-financial KPIs**

We report our progress against a range of established ESG metrics. These have been based upon leading industry indicators such as Food Hygiene Rating Scheme (FHRS), diversity, employee wellbeing and recycling. Further areas of focus cover water consumption, energy usage, internal appointments, employee engagement and customer net promoter score (NPS). Our key non-financial safety standards metric is the 5-star rating that we seek to achieve from the Food Standards Agency's website across our managed pub estate. The percentage of managed pubs rated five stars at the end of the financial period was 97.6% (2023: 96.7%) with an average rating of 4.97 (2023: 4.96).

Stonegate recognises the importance of having an engaged and motivated workforce and the value it can bring to a business. The Group has conducted a number of pulse engagement surveys over the past few years to understand how it is performing around employee engagement. The most recent survey, conducted in June 2024, had a pulse rate, being the key measure of engagement, of 7.4 out of 10 (2023: 7.6). In addition, for the first time, the survey was extended to those salaried employees that work in site. The pulse rate for this group was 7.6.

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

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

| | **Male** | **Female** |
|---|---|---|
| All employees (site and Head Office) | 51% | 49% |
| All Head Office employees | 47% | 53% |
| Senior management team (excluding Operating Board) | 57% | 43% |
| Operating Board | 80% | 20% |

The Group continues to deliver a female mentoring programme, designed to support females with potential to progress with the business. Mentors are typically colleagues at Senior management team level and are provided with comprehensive training. The programme encompasses between 25 to 30 females in each annual intake and has been running for six years.

**Strategic report** *(continued)*

**Business review** *(continued)*

**Financial Position**

The financial position of the Group is set out in the consolidated balance sheet on page 25 which shows net assets of £791 million (2023: £601 million). Group cash at the period end was £171 million (2023: £92 million), of which £30 million (2023: £40 million) is held within the Unique securitisation and £46 million (2023: £Nil) is held in the restricted portfolio loan group. The Group has access to a further £150 million (2023: £88 million) from its revolving credit facility and a further £25 million (2023: £25 million) overdraft facility. Non-current borrowings were £3,760 million (2023: £3,570 million).

During the period, on 26 January 2024, the Group completed on a limited recourse financing structure over a portfolio of 1,034 of its freehold pubs in order to raise a principal amount of £638 million. The portfolio comprises 944 leased and tenanted and 90 free-of-tie freehold pubs. The loan matures in January 2029 and accrues interest at SONIA (floored at 2.5%) plus 6.35%, which is cash settled quarterly.

On 29 July 2024 the Group announced that it had launched an offering of £1,645 million aggregate principal amount of 10.75% Senior Secured Notes due 2029 and €470 million aggregate principal amount of Floating Rate Notes due 2029. In addition, the Group issued £37 million aggregate principal amount of 10.75% Senior Secured Notes due 2029 as compensation for certain backstop arrangements. Upon completion on 14 August 2024, the proceeds, along with funds from certain other financing sources as described below, were used to, among others, redeem in entirety the existing £500 million aggregate principal amount of 8.00% Privately Placed Notes due 2025, the £1,235 million aggregate principal amount of 8.25% Senior Secured Notes due 2025 and the €496 million aggregate principal amount of Floating Rate Notes due 2025.

In addition on 14 August 2024 the Group drew in full a new £156 million Second Lien Facility which matures in 2029 and bears interest at SONIA plus 9.375%. This interest is not cash paid and instead capitalised semi-annually. On the same day the Group also purchased and cancelled the existing £400 million Second Lien debt.

Furthermore, on 14 August 2024 the Group extended its Revolving Credit Facility, on the same terms, to January 2029.

With proceeds raised from the transactions described above the Group also, during the period, issued an irrevocable notice to repay the outstanding balance of Class A4 Securitised bonds in full, together with the associated premium. The cash to repay was paid across to the Agent before the period end date, but the holders of the bonds were not repaid in full by the Agent until subsequent to the period end on 30 September 2024. The amount of cash held by the Agent of £134 million is shown as a debtor at the period end date on the Group balance sheet.

The Group revalues its properties each year and engaged a third-party valuer, Avison Young (UK) Limited, to conduct as full estate valuation exercise at the year end date. The Group has recognised £126 million upwards movement in the valuation of the estate and related assets in the 53 weeks ended 29 September 2024 and a net £111 million downwards movement. In the 52 weeks ended 2023 the Group recognised a £790 million upwards movement including a £48 million estate impairment charge and £178 million goodwill impairment charge. Further details can be found in note 13.

**Strategic report** *(continued)*

**Principal risks and uncertainties**

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

The RMG document their output on the Group's risk register. The Group currently has 16 risks deemed to be high, of which only two remain high once the RMG has considered controls in place and other mitigation factors. In addition there are a further four medium risks that the Group has determined should be disclosed:

- General economy
- Cyber security
- Health and safety
- Group liquidity and financial covenant compliance
- Portfolio loan liquidity and covenant compliance
- Publican debt

<u>General economy</u>

The macroeconomic environment continues to challenge the hospitality industry in particular with cost inflation across drink and food and the recently announced Autumn Budget changes to National Minimum Wage, National Living Wage, the increase in National Insurance contributions for employers and the reduction in the NI threshold that will take effect from 1 April 2025. Where consumers have more money in their pockets, this presents an opportunity, however we need to be positioned to quickly adapt to changes in spending habits in order to not lose market share to competitors. Our Commercial Strategy team are constantly reviewing the latest market information and together with the Marketing team, translating it into ideas and promotions that the teams in site can execute easily and at speed.

In order to mitigate cost inflation, beer contracts have been renegotiated in the year and are locked in for three years whilst the wines and spirits contracts are currently being tendered. The Group's size enables it to lever scale with suppliers, which can mitigate some cost pressures. Where cost inflation does creep in, the Group is able to mitigate some of the increase through retail price rises and these are constantly monitored to ensure the increases are not at the unmanageable detriment to volume.

On labour costs, staffing levels are monitored in the Managed business to ensure efficiency of staff rostering.

<u>Cyber security</u>

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

**Strategic report** *(continued)*

**Principal risks and uncertainties** *(continued)*

Health and Safety

A health and safety incident could result in serious injury to the Group's employees, publicans or customers. There is also a risk that we do not have visibility of our full supply chain, especially where food products are concerned, that could lead to unsafe foods entering the chain without our knowledge. In addition, the importance of allergen information continues to grow and the Group needs to make sure that it's information is accurate and readily available.

As a Group we have developed an effective and robust health and safety management system to ensure compliance with all legal duties placed on the organisation by health and safety law. All systems are subject to regular review with training provided as appropriate. These measures ensure effective control of the managed house operations, adapted for our Craft Union sites, as well as continued appropriate focus on the issues facing the Publican Partnerships estate. The Group employs a team of qualified health and safety professionals to maintain the health and safety management system along with the identification and remediation of specific risks. It also operates a strategic and operational health and safety regime and operates within a Primary Authority Scheme with Milton Keynes Borough Council and the West Midlands Fire Service. Health and safety risk is overseen by the Risk Management Group, made up of Board Directors and other relevant senior professionals covering multiple disciplines including licensing, food safety and property.

Group liquidity and financial covenant compliance

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

The Group's primary financial risks are to ensure that its debt is serviced, its financial covenants are achieved, investment plans are satisfied and working capital requirements are met. The Group's debt comprises borrowings in both sterling and euros and at both fixed and floating rates of interest. Floating rate debt is swapped to fixed rate wherever it is commercially sensible to do so. During the period, the Group refinanced the majority of its borrowings to extend the maturity. This has resulted in reduced debt but slightly higher interest rates. Full detail can be found in note 22 to the accounts.

Within the Group's debt structure, there exists three main covenants that must be met and against which Management monitor and forecast performance. Further detail on these covenants can be found within note 22 to the accounts.

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

Stonegate's credit risk is primarily driven by the credit terms awarded to its publicans. The dedicated credit control function, together with the operations team, work with publicans to ensure levels of debt remain in line with Group expectations.

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

Portfolio loan liquidity and financial covenant compliance

During the period the Group restructured and moved 1,034 pubs into four distinct subsidiary companies, over which it then raised £638 million of new debt. This debt is secured over that portfolio of pubs only, with all cash flows generated by the portfolio going to service the debt. In addition the portfolio debt has one financial covenant, which must first be tested in May 2026.

In the same way as the wider Group, daily cash flow forecasting is maintained and reviewed to monitor liquidity and ensure liabilities can be met as they fall due.

**Strategic report** *(continued)*

**Principal risks and uncertainties** *(continued)*

Publican debt

The leased and tenanted business model relies on having excellent publicans in sites that are passionate about their businesses. The macroeconomic environment in which these publicans operate is tough as noted above, as they face similar inflationary cost headwinds to the Group. There are some small reliefs that publicans can benefit from, most notably 75% rates relief through to March 2025 which then reduces to 40% as recently announced in the Autumn Budget.

One of our earliest indicators of publican health is the level of publican debt, which remains a focus risk area for the Group. Whenever debt increases, the operations and support teams will work together to understand the reason for increase and agree a plan with the publican to manage and reduce.

**Environmental, Social and Governance**

Environmental factors – Non financial and sustainability information statement

*Carbon and Energy*

*Approach*
Stonegate continues to make positive contributions towards driving our environmental impact, improving society for the future. The climate agenda continues to be at the forefront of wider industry retail and hospitality thinking, seen very much in supply chain decisions, as well as the general provision of energy. The last 12 months has seen a softening in challenges in industry supply chain and particularly the energy market, although energy and carbon management continue to play an increasingly important role in the medium and long term.

To enhance our internal governance, we have refocussed our ESG steering group, bringing together experts in their respective areas. These relevant experts cover key parts of the ESG agenda including Commercial, Energy, Property, Operations and Comms. Considering stakeholder priorities, the steering group continues to support the development of a group sustainability strategy to ensure the direction of travel is appropriate and relevant. Stonegate has also created a Sustainability Team looking at the broad agenda of evolution, analytics and governance. In the last financial year energy saving initiatives have continued to be a key focus area for Stonegate and this has been reflected in the steering group focus. Work targeted on climate related risks and opportunities has also continued in the last 12 months. To date we have seen that climate related risks are relatively low, as reflected by minimal climate related insurance claims history as well as minimal business interruption. Last year, we worked with external consultants ERM International (ERM), looking at climate related risks and opportunities, which concluded that Stonegate specific risks are low and that any risks are most likely be as a result of industry global supply chain dynamics. The steering group meets each quarter to update on progress and discuss relevant matters to report back to the Board and our shareholders. The role of the Board is to agree strategy, steer and support, oversee delivery and set / monitor targets. ESG is a regular item on the Board agenda, with the ESG steering group formally attending to update at least once a quarter.

In 2022 Stonegate performed a major carbon baselining exercise with help from external consultants, setting out our carbon footprint and in-depth analysis of areas of opportunity. The analysis highlighted prospective areas that can make a difference, reflecting size and complexity. Like many in hospitality, Scope 1 & 2 account for approximately 10% of our carbon emissions and the much harder to achieve 90%, sits in Scope 3. We are updating this footprinting work for the most recent financial year using an updated methodology and higher quality data in order to get a more accurate Carbon footprint. The intent is to perform this annually to understand and drive underlying carbon reductions from planned activity and initiatives.

**Strategic report** *(continued)*

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

Scope 1 relates to the direct emissions from the fuels we use in our pubs, hotels and offices, such as natural gas and liquid petroleum gas. It also includes emissions from owned vehicles (including company cars) but excludes logistics where we outsource this to third parties. Scope 2 relates to the indirect emissions associated with the generation of electricity consumed in our sites. Scopes 1 & 2 are much more in our immediate control in the sense that energy consumption plays a major part of carbon management. Scope 3 relates to all other upstream and downstream activities present in our operations. Scope 3 remains a longer-term opportunity in that it is highly dependent on factors less in our control. This would include our suppliers setting out their carbon management plans, supply chains being able to accommodate changes and consumer sentiment and choice. In order to engage and collaborate with suppliers we have started to work with key partners to understand where their emissions originate from and identify opportunities for emissions reductions.

We continue to work closely with industry groups such as the Zero Carbon Forum (ZCF) and our suppliers to be moving forward in these areas. The industry has started to consider key target dates, which will become clearer and firmer as our suppliers' supply chains mature.

Climate related risks and opportunities, rely on helping our customers to make more sustainable choices, and improving our own operations and value chain through targets. The future of sustainable choices comes through adapting our pub environment so that sustainability is considered in the fabric of our sites and operations, as well as through innovation across menus and reducing food waste at the point of serve. We can also provide community assets such as EV chargers where appropriate in our car parks across the wider estate. There is the ability to drive our carbon footprint down, through the procurement of renewable energy and introducing of energy efficiency measures and solutions.

The Group's business model and strategy will, over time, reflect climate-related risk in many areas. The current financial period has continued to focus on energy consumption reduction given the supply challenges last year. These supply challenges have been based on volume and rate. Energy consumption remains an important operational consideration and objective going forward and will form a key element of ESOS3. Consumption management is not just an operational risk, but also brings an opportunity to reduce spend and carbon impact. Energy use is material across all our business segments. Disruption to supply remains the key risk in the short term, although was well managed in previous financial periods. The business is relatively resilient to other climate-related issues in the short term. In the near future, targets and KPIs tend to be centred around consumption and energy use, following the projects and initiatives put in place for the current and next financial years. Along with operational practices, projects and initiatives will form a key element of ESOS3 which will be short, medium and long term focused.

*UK Climate-Related Financial Disclosures (CFD)*

Last year, Stonegate enlisted the support of external consultants, ERM, to perform scenario analysis to identify potential climate-related risks and opportunities and understand how changes to the climate and the transition to a low- carbon economy may impact the risk or opportunity profile. The assessment ERM conducted was aligned to the recommendations of the Task Force on Climate-Related Financial Disclosures and would help Stonegate to respond to the UK Government's mandatory CFD requirements. ERM collaborated with Stonegate to agree relevant scenarios and time horizons, before selecting scenario indicators to represent the Group's potential exposure to climate change. The resulting assessment provided risk scores to enable efficient prioritisation of risks and opportunities for further consideration. ERM used time horizons of short (2030) medium (2040) and long (2050) as aligned with the UK-CFD recommendations to conduct scenario analysis over short, medium and long-term timescales.

**Strategic report** *(continued)*

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

The Task Force has called for organisations to assess, manage and disclose their exposure to climate-related financial risk and opportunity. Stonegate could be exposed to a range of climate-related risks and opportunities. Two categories of climate-related exposure are required according to the UK-CFD. The first category identified was physical, being risks and opportunities associated with changing physical climate, including chronic changes, such as more extreme heat and water stress events, and acute changes, such wildfires. The second category identified was transition, being risks and opportunities associated with the low carbon economy transition, e.g., the shift to low carbon energy and increasing carbon prices. The Task Force calls for organisations to test strategic resilience to climate-related risks under a range of possible scenarios. This assessment was completed in alignment with that guidance and the associated FCA PS21/24 requirements.

The findings of the analysis on balance showed a low risk profile. This is a key consideration as part of the Group's overall risk management planning and where resource and focus are targeted. Management's view is that our business model and strategy is robust when considering climate-related scenarios.

Stonegate's transition risk and opportunity profile as considered with ERM is low balanced in the short/medium term and developing into a low opportunity overall in the long term. Product demand and markets are likely to change in the net zero 2050 scenario, with reduced demand for products associated with high emissions longer term. Engagement with the Group's wider supply chain will be key to address our scope 3 emissions and source low-carbon products. Working with ZCF, this low risk and low opportunity view is very much in line with others in our industry as well as wider in hospitality. The conversations in the last 12 months with key partner suppliers, has reinforced the point that industry success will depend on suppliers and customers working collaboratively together. The drink supply chain is driven in the main by large global suppliers and therefore tend to move together as an industry. The food supply chain is different with a mixture of sizes of suppliers, which means there is more flexibility for reviewing supply chains on a more granular level.

Broadly speaking climate risk is assessed using the same conceptual framework as other types of identifiable business risk for Stonegate, using a risk related framework. This focusses on impact and probability, where when considered together is deemed low in the short term. Although the Group's physical risk profile, based on current climate conditions is low, this is projected to increase in the future under a high emissions scenario (SSP5-8.5). ERM reviewed the Group's estate against industry datasets including heat, cold, flooding, wind, landslides, drought and wildfires. No material risks were flagged that would be specific to the Group. The only risk that could be expected in the long term could be extreme rainfall and river flooding. However, based on actual insurance claims history over the 12 months , last decade and beyond, there is currently low risk across the estate and management expectation is that low risk will remain. In the long term as an industry, we need to be aware of risks impacting all of hospitality. These could range from the increasing impacts of extreme heat in relation to energy sourcing as well as weather impacts on crops. As an industry we also need to be aware of climate related influences on legislation and regulations, but we have strong experience dealing with these types of impacts.

Whilst both transitional and physical risks and opportunities are deemed low in the short term, it will nevertheless be reflected in considerations as part of the wider sustainability governance plans. The risks that we believe we are exposed to per the ERM findings are deemed to have an immaterial impact and climate risk is not considered a principal risk. As a result of these findings and the stable position, we have not completed a reassessment, due to the low risk profile. As such we have omitted against disclosure requirements (CA 2006 s414 CB (2A) (f), (g) and (h)) because this information is not deemed material for an understanding of our business. We also do not see a risk hitting Government deadlines and Stonegate have considered setting formal targets which are likely to align with industry. However, until it becomes clearer as an industry on how we will deliver Scope 3 reductions, it’s difficult to agree a set of targets. Stonegate will continue to review the setting of formal targets over this financial year period, while also considering how to align with the setting of the Forest, Land and Agriculture (FLAG) Science-based targets (SBTs).

Transition planning remains more relevant in the short term as part of marketing and supply chain opportunities as we develop what we buy and what we sell.

**Strategic report** *(continued)*

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

*Reduction Initiatives*

Energy management is identified as one of our key strategic drivers both from a cost and environmental perspective. We continue to manage our energy consumption proactively with a blend of behavioural programmes, plant and infrastructure replacements as well as smart technology enhancements. We use smart meters to monitor and manage flow, to be as efficient as possible to help reduce consumption. Working with trusted third parties we undertake reviews of our energy reporting and have active plans for the upcoming ESOS Phase 3 compliance. To support ESOS, we report on emissions from fuel combustion and the operation of our facilities which includes our offices, managed houses, company cars (Scope 1), and from our purchased electricity used during the period (Scope 2). As part of the Zero Carbon Forum, we work together to share best practice, build strategic partnerships, influence / empower, and define sector standards and approach. Being part of the forum helps define and implement a credible and ambitious industry net zero strategy to drive sector wide change.

This financial year has energy reduction incentive targets built into the remuneration at a site level, which is a huge step forward in actively engaging our teams to take local ownership of their energy use.

At a site level we have seen significant progress in our smart meter upgrade programme for gas and electricity. This provides us with greater data insight on usage and ergo the rapid ability to intervene and understand spikes.

From a technology and innovation perspective we are well advanced with our use of intelligent technologies to monitor and adjust temperature at individual site level. Working with a third-party partner, we have c300 sites utilising out of hours energy reduction for temperature control, which has proven very successful. We have agreed a further 200 sites to fit equipment into in 2025.

We have a new Energy Project Manager role dedicated to driving improvements and innovation across our estate to help realise the opportunities from ESOS and the general carbon reduction technology opportunities being used in the wider industry. A Sustainability Manager has also been appointed to help set the strategic direction and oversee the governance of the reduction plans.

Our colleague incentive programme is well established and is tied to site level performance, with an element of incentivisation on reducing energy usage.

Looking forward, we will continue to embed environmental and sustainability considerations and controls in how we operate. This will include developing environmental standards, targets and guidance for supply chain that sits within our ways of working.

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

| | **2024**<br>**53 weeks** | **2023**<br>**52 weeks** |
|---|---:|---:|
| Energy use – Electricity (kWh) | 145,774,321 | 154,947,085 |
| Energy use – Gas (kWh) | 131,415,067 | 138,020,972 |
| Energy use – LPG (kWh) | 2,169,180 | 2,399,287 |
| Energy use – Vehicles (kWh) | 6,145,988 | 7,668,809 |
| Associated GHG emission ($tCO_2e$) – Electricity (2023 revised) | 30,183 | 31,555 |
| Associated GHG emission ($tCO_2e$) – Gas (2023 revised) | 23,941 | 24,844 |
| Associated GHG emission ($tCO_2e$) – LPG (2023 revised) | 2,399 | 2,671 |
| Associated GHG emission ($tCO_2e$) – Vehicles (2023 revised) | 1,465 | 1,868 |
| Intensity ratio ($tCO_2e$ per £m) – (2023 revised) | 33.2 | 35.5 |

2023 numbers revised with latest vehicle volumes and addition of LPG and Landlord supplies.

**Strategic report** *(continued)*

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

*Waste and recycling matters*

Waste disposal and recycling is an important issue in the pub and food industry. The Group partners with Olleco in the recycling of its used cooking oil in the managed business. Our used oil is refined into a range of products such as industrial oils and renewable fuels. Between 30th September 2023 – 29th September 2024 Olleco collected 909,591 litres (52 weeks 2023: 942,000 litres) of used cooking oil, or 837 metric tonnes (52 weeks 2023: 865 tonnes). This is the equivalent of saving 1,938 tonnes of carbon (52 weeks 2023: 2,008 tonnes). The Group also continues to work with publicans by recycling oil with third parties where the used cooking oil is converted into biodiesel.

Stonegate works in partnership with Veolia Environmental Services for waste and recycling services across the Managed and Craft Union estates. Veolia provides four waste stream services covering general waste, mixed recycling, glass recycling and food recycling which assists us with reaching zero waste to landfill. Currently 100% of our waste collected by Veolia is diverted from landfill and 64.4% is recycled on site. This is the equivalent saving of 2,000 tonnes of carbon over the last 12 months (2023: 1,257 tonnes). In line with recycling legislation changes planning in 2025, plans are being pulled together to increase on site recycling further.

| | **2024 53 weeks** | | **2023 52 weeks** | |
|---|---|---|---|---|
| **Veolia - Recycling** | **Tonnes** | **%** | **Tonnes** | **%** |
| Waste diverted on site | **13,191** | **52.6** | 17,487 | 66.6 |
| Waste sent to Energy from Waste (ERF) | **8,516** | **34.0** | 4,370 | 16.6 |
| Waste sent to Mixed Recycling Facilities (MRF) | **1,902** | **7.6** | 2,941 | 11.2 |
| Other (anaerobic / composting / sub con) | **1,460** | **5.8** | 1,463 | 5.6 |
| Waste sent to landfill | **-** | **0.0** | - | 0.0 |
| **Total** | **25,069** | **100.0** | **26,261** | **100.0** |

**Strategic report** *(continued)*

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

*Water conservation*

Managed and Craft Union sites in England are covered by our water self-supply license, as part of this license we work closely with Waterscan and all the Wholesalers to ensure consumption remains as low as possible. Sites in Scotland and Wales are supplied by the relevant Wholesalers (self-supply is not available in these areas). Waterscan assist us with taking regular meter reads and audit any sites we see any drastic change in consumption to review and assist with getting consumption back in line with expectations.

| Water | 2024<br>53 weeks | 2023<br>52 weeks |
|---|---|---|
| Water saved ($m^3$)* | 98,484 | 137,571 |
| Average daily usage saved ($m^3$)* | 269.82 | 376.91 |
| Pints of water saved per day | 474,814 | 663,260 |
| Reduction in billing (ongoing savings) | £260,561 | £343,629 |
| Refunds achieved | £25,282 | £47,178 |

** Water saved by identifying and fixing leaks and water saving projects.*

Social

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

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

All pub managers are encouraged to attend Pub Watch meetings in their area and closely liaise with all authorities. We also ask for strict adherence to the nationally acknowledged “Challenge 25” scheme, seeking proof of age for anyone appearing to be 25 years or under.

*Health and Safety*

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

**Strategic report** *(continued)*

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

*Social and community issues*

Our local pubs are at the heart of the communities they serve and therefore we take responsibility for ensuring that our pubs add to this community rather than detract from it. Many of our pubs will engage with charitable efforts at a local or more nationwide level, driven by the interests of their guests, and will get involved with local initiatives wherever they can, which can be as simple as offering up meeting places for local community groups, donating raffle prizes for charity events or really embracing key seasonal events such as Halloween. Our Craft Union division have gone one step further and are supporting their pubs to 'Make it a Million' for local good causes. As at the year end, those communities had raised over £580,000 which had been donated to over 1,000 good causes.

We recognise our duty to operate the business in an ethical and responsible. We aim to build sustainable businesses with a strategy that will continually evolve dependant on the needs of our customers and stakeholders. We recognise our responsibility towards the promotion and management of a responsible drinking environment in all our pubs, working with the Government and enforcing bodies as necessary.

*Charitable activities*

During the period to 29 September 2024 and excluding the Make it a Million campaign noted above, our pubs and head office have raised £172,000 (52 weeks 2023: £191,000) for several local and national charities, including the Motor Neurone Disease Association (MNDA). The Group has partnered with MNDA since April 2022. At 29 September 2024 over £550,000 (2023: £385,000) had been raised for MNDA through a variety of fund raising activities; most of which have been spontaneously organised by individual teams. As well as raising significant funds for such a worthwhile cause, we also gain the benefit of increased engagement and collaboration through these fund-raising efforts. Our partnership with MNDA is ongoing into 2025.

*Employee Engagement*

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

Retaining engaged colleagues remains a critical part of our people strategy. We continue to run regular employee engagement surveys in order to understand what our people are feeling and where we should better direct our efforts to improve engagement. In our last round of the survey in June 2024, we sought views from our salaried employees that work in pubs for the first time, with pleasing results and a pulse score of 7.6.

*Employee Wellbeing*

The 'Be You, Be Well' portal that Stonegate launched in the prior year for its employees continues to be a successful tool for supporting employee wellbeing. The portal is available via an app and has three individual components covering emotional wellbeing, financial wellbeing and physical wellbeing. The portal is designed both to provide materials for employees to access information and support and to provide links to external bodies and organisations where further professional support can be sought if required. Stonegate has continued its partnership with the Licensed Trade Charity which provides employee assistance across the hospitality sector.

**Strategic report** *(continued)*

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

*Employee Learning and Development*

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

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

Our career pathways contribute to our business both culturally and commercially. Over 70% of our General Managers have been promoted internally, and over 60% of our Area Managers. We also measure retention rates across key roles and know that people who enrol into our career pathway are twice as likely to stay with the business.

Our approach to Learning and Development has also helped us achieve our best ever rates of employee retention in our FY24.

*Equality and Diversity*

Stonegate is an equal opportunities employer committed to providing equal employment opportunities to all employees regardless of personal status and to prohibit all forms of discrimination. In 2024, we reviewed and updated our Equality, Diversity and Inclusion policy and have relaunched this to the business. The principles are also included within our Code of Conduct ('The way we do things at Stonegate'). We are currently strengthening this area of the business further via the recruitment of a dedicated Wellbeing and Inclusion Manager.

*Supplier Management*

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

*Allergens*

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

*Healthy Eating*

We are fully aware of the impact of modern lifestyles on the health and wellbeing of the population and recognise that we have a vital role to play in improving people's health.

Our aim is to create a variety of dishes on all our menus with a wide range of calorie options that support a healthy balanced diet. This then ultimately provides our guests with the ability to make an informed decision. In line with the Calorie Labelling (Out of Home Sector) (England) Regulations 2021, all our menus detail calories for all food items and low and no alcohol drinks.

Our children's menus offer fresh salad and vegetable options, in line with the five-a-day government recommendation. Our children's menus are in a build your own format, allowing our guests to create their own dish, with a range of cooking options, including baked to allow healthier choices.

We are fully committed to continuously reviewing range and cooking platforms to further strengthen our offers, whilst still providing great-tasting quality food.

**Strategic report** *(continued)*

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

Governance

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

*Anti-Bribery & Corruption*

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

Our gifts and hospitality policy ensures a consistent approach towards gifts/hospitality offered to and received, or solicited from, third parties. It adopts a fair, ethical, legal and appropriate approach towards the distribution of gifts and hospitality invitations. The policy properly co-ordinates any representations the Stonegate Group wishes to make to suppliers and, in turn, does not unintentionally create inappropriate or misleading relationships. As a principle, any supplier gifts received are raffled on a regular basis and all proceeds are donated to charity.

*The Pubs Code*

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

*Human Rights*

Stonegate is committed to conducting business with integrity and fairness.

Our various policies and ways of working ensure that employees are to be treated with respect, and their health, safety and basic human rights protected and promoted. We expect our suppliers and sub-contractors to meet the same standards through their policies and conduct.

Our whistleblowing policy encourages employees to report any wrongdoing, financial or otherwise. Our teams are able to report via a confidential email. No material issues were raised through the year.

Data privacy protection is embedded into our ways of working, policies & procedures and training programmes. There is oversight by a governance group made up of functional experts.

*Tax*

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

**Strategic report** *(continued)*

## Future Outlook

Despite the ongoing challenges in the hospitality sector, 2024 has once again demonstrated the resilience of the Great British Pub. The growth in both top-line and bottom-line metrics for our Pub Partners and Craft Union businesses reflects the dedication and hard work of our publicans and operators. The success of the Euros in 2024, highlighted by England's impressive run to the final, exemplifies our mission to Bring People Together through our passion for pubs, bars, and venues. Our initiatives focused on asset optimisation, pricing strategies, and retail media continue to drive overall profitable growth. While we anticipate significant cost pressures, especially in labour, we are well-positioned to maintain our trajectory of profitable growth moving into 2025.

## Going Concern

The financial statements have been prepared on the going concern basis. The statement headed “Going Concern” on page 28 sets out certain factors to the Directors’ consideration in reaching this assessment.

## Approval

The Directors’ Strategic report was approved by the Board on 16 January 2025 and signed on its behalf by:

**David Ross**
*Director*

## Directors' report

The Directors present their report together with the non-statutory financial statements for the 53 weeks ended 29 September 2024. As further described in note 1, these consolidated financial statements have been prepared solely for non-statutory purposes.

### Principal activities

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

### Ownership

The immediate controlling party is Stonegate Pub Company Midco Limited, a company that is owned by TDR Capital Stonegate L.P., an investment fund managed by TDR Capital LLP, a private equity management firm registered in the UK. TDR Capital LLP is a leading private equity firm with approximately €15 billion of committed capital. It invests in medium-sized, European businesses and partners with them to develop and grow their operations. TDR Capital LLP works in partnership with management to harness opportunities together through board representation and professional support.

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

### Board of Directors

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

Manjit Dale – resigned 1 December 2023
Brian Magnus
Alhassan Elgazzar
Ian Payne MBE – resigned 26 January 2024
David Ross
David McDowall
Mark Davies – appointed 2 September 2024

Brian Magnus (Senior Partner at TDR Capital LLP)

Brian joined TDR Capital in September 2012. Prior to joining TDR, he was a Managing Director at Morgan Stanley where he was European Head of Morgan Stanley Private Equity, and formerly Head of UK Investment Banking. He joined Morgan Stanley in 2000 having previously worked in the Corporate Finance Division of Schroders, a company later acquired by Citigroup. Brian graduated from the University of Manchester with a degree in Management Sciences and qualified as a Chartered Accountant with Price Waterhouse.

Alhassan Elgazzar (Partner at TDR Capital LLP)

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

David McDowall (Chief Executive Officer of Stonegate Pub Company)

Having started working in pubs whilst studying at university, David worked his way up through various operational roles in some of the country's biggest hospitality groups, building a wealth of industry knowledge and experience, and a huge passion for the sector.

Before joining Stonegate in January 2023, David was with the innovative brewer and bar operator BrewDog, firstly as CEO of the bars business before holding the wider role of President & COO, overseeing the strategic direction and day to day operations across all aspects of the business in the UK and internationally. Prior to BrewDog, David was Group Operations Director at G1 Group, a leading Scottish hospitality operator.

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

**Board of Directors** *(continued)*

David Ross (Chief Financial Officer of Stonegate Pub Company)

David qualified with PriceWaterhouseCoopers in 1999 before joining Boots as a senior internal audit manager. After holding various senior roles in Boots, David joined the Spirit Group in 2004 as Head of Finance for Investments and the development company of Gastro Pubs & Bars. He joined Laurel in 2007 as Head of Finance and held that position until the break-up of Laurel in 2008 when David was appointed Head of Finance of Bay Restaurant Group Limited and Town and City Pub Group Limited. He was appointed Chief Financial Officer of Stonegate Pub Company Limited in January 2012.

Mark Davies (Independent Non Executive Director)
Mark is an experienced FTSE250 CEO, Chairman and Non Executive Director and has relevant experience in property, pubs and capital markets. He is currently CEO of PHP, a FTSE250 Healthcare REIT and responsible for delivering the strategic direction of the business. He was previously CEO of Hawthorn, a co-founder of NewRiver REIT plc and has worked for Morgan Stanley, BDO and Grant Thornton.

**Senior Management Team**

The Senior Management team that make up the Group's Operating Board at year end consisted of David McDowall (CEO), David Ross (CFO), Daniel Wilkinson (Chief Strategy Officer), Melissa Wisdom (Chief Commercial Officer), Tim Painter (HR Director), Carol Campbell (Managing Director - Managed), Lee Reed (Managing Director – Pub Partners) and Frazer Grimbleby (Managing Director – Operator-led). Subsequent to the year end, Melissa resigned from the Operating Board and was replaced by Nick Marks (Procurement Director).

Daniel Wilkinson

Daniel joined Stonegate in April 2015 and has served as Strategy and Corporate Affairs Director since April 2016. He was appointed Strategy, Legal and Business Development Director in March 2020 and then Chief Strategy Officer from October 2024. He is responsible for the strategic direction of our business and is the head of mergers, acquisitions and disposal activity within Stonegate. Daniel joined from the leased and tenanted division of Greene King, where he was a commercial director. He holds an MSci in physics and nuclear science from the University of Birmingham.

Tim Painter

Tim is responsible for the recruitment, training and development of the Group's 16,000 employees. Tim started his career in food retail with HR roles at Asda and Safeway. He then moved to Thorn UK, where he progressed to be HR Director for a Division of the business. In 2003, Tim was appointed as HR Director for Travel Inn, part of Whitbread plc. During his tenure, Travel Inn acquired and integrated the Premier Lodge business to form Premier Travel Inn. In 2006, Tim returned to food retail as HR Director of Musgrave Retail Partners GB, which managed the franchised convenience brands Budgens and Londis. Tim was appointed HR Director for Stonegate Pub Company Limited in January 2012.

Carol Campbell

Carol joined Stonegate Group in April 2024 and is our Managing Director for our Managed estate. Carol is responsible for the operations and partnerships across over 650 of our pubs, bars and venues including brands such as Slug and Lettuce, Be At One, Proper Pubs and Popworld. Carol joined Stonegate Group from Wickes where she was Retail Director. Working across the retail sector for 20+ years Carol has held a variety of roles across Operations, Commercial and Strategic Projects both in the UK and internationally with brands such as ALDI, Walmart and Woolworths.

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

Frazer Grimbleby

Frazer joined Stonegate Group in 2020 following the acquisition of Ei Group and is Managing Director of the operator led business, Craft Union. Frazer co-founded Craft Union in 2015 within Ei Group and has been responsible for leading the business through its growth to over 600 pubs. Prior to joining Ei Group in 2012, Frazer held several senior leadership roles within hospitality including Operations Director at SSP UK and Operations Director at The Restaurant Group developing the Frankie & Benny's brand.

Lee Reed

Lee joined Stonegate Group in April 2024 as Managing Director for Stonegate Pub Partners. Lee is accountable for leading the strategic execution and day to day operation of our leased and tenanted business. Lee joined Stonegate Group from Papa Johns International where he was most recently the Senior Director of Operations for the UK & International markets, following nine years at KFC UK & Ireland as the Franchise Operations Director. Lee holds a BSc in Management & Information Technology from the University of Manchester.

Nick Marks

Nick joined Stonegate in 2023 as Director of Commercial and was appointed to the Operating Board in October 2024 as Group Commercial Director, overseeing the Group procurement and supply chain function. Prior to Stonegate, Nick led The Hershey Company international markets which included ANZO, Malaysia, and Singapore. He also has extensive experience on the supplier side, having worked with leading FMCG companies including Nestlé, Danone, and Burtons Biscuits.

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

**Results and dividends**

The loss after tax was £160 million (2023: loss of £155 million).

**Modern Slavery Act 2015**

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

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

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

Additional information regarding the Group's engagement with stakeholders can be found throughout the Strategic Report.

**Approval**
The Directors report was approved by the Board on 16 January 2025 and signed on its behalf by:

**David Ross**
*Director*

Cricket Square
Grand Cayman
Cayman Islands
KY1 1111

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

The Directors of Stonegate Pub Company Limited ('the Directors') have accepted responsibility for the preparation of the Strategic report, Director's report and non-statutory Group accounts for the period ended 29 September 2024 which are intended by them to give a true and fair view of the state of affairs of the Group and of the profit or loss for that period. They have decided to prepare the non-statutory Group accounts in accordance with UK-adopted International Financial Reporting Standards (IFRS) and applicable Cayman Island company law. In preparing these non-statutory Group accounts, the Directors have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- stated whether they have been prepared in accordance with IFRS, UK-adopted international accounting standards;
- assessed the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- used the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for such internal control as they determine is necessary to enable the preparation of non-statutory Group accounts that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

**Consolidated Income Statement**
***For the 53 weeks ended 29 September 2024***

| | | **53 weeks ended 29 September 2024** | | | 52 weeks ended 24 September 2023 | | |
|---|---|---|---|---|---|---|---|
| | Notes | **Pre-exceptional items £m** | **Exceptional items* £m** | **Total £m** | Pre-exceptional items £m | Exceptional items* £m | Total £m |
| **Revenue** | 2 | **1,747** | **-** | **1,747** | 1,719 | - | 1,719 |
| Other income | | **-** | **30** | **30** | - | - | - |
| Operating costs before depreciation and amortisation | | **(1,278)** | **(22)** | **(1,300)** | (1,270) | (7) | (1,277) |
| **EBITDA^** | | **469** | **8** | **477** | 449 | (7) | 442 |
| Depreciation and impairment | | **(133)** | **-** | **(133)** | (155) | (178) | (333) |
| Movement in value of the estate | | **-** | **(111)** | **(111)** | - | (48) | (48) |
| Brand amortisation | | **-** | **-** | **-** | (1) | - | (1) |
| Total depreciation, amortisation, impairment and revaluation | | **(133)** | **(111)** | **(244)** | (156) | (226) | (382) |
| Profit on sale of non-current assets | | **-** | **16** | **16** | - | 8 | 8 |
| **Operating profit / (loss)** | | **336** | **(87)** | **249** | 293 | (225) | 68 |
| Finance income | 5 | **19** | **-** | **19** | 2 | - | 2 |
| Finance costs | 6 | **(348)** | **(107)** | **(455)** | (301) | - | (301) |
| Movement in fair value of derivative financial instruments | | **(27)** | **-** | **(27)** | (26) | - | (26) |
| **Loss before taxation** | | **(20)** | **(194)** | **(214)** | (32) | (225) | (257) |
| Taxation | 7 | **8** | **46** | **54** | 19 | 83 | 102 |
| **Loss for the period** | | **(12)** | **(148)** | **(160)** | (13) | (142) | (155) |
| **Attributable to:** | | | | | | | |
| Owners of the parent company | | **(12)** | **(148)** | **(160)** | (13) | (142) | (155) |
| Non-controlling interests | | **-** | **-** | **-** | - | - | - |

* Exceptional items are explained further in note 7.

^EBITDA represents Operating profit / (loss) before depreciation, amortisation, impairment, movement in valuation of the estate and profit on sale of non-current assets.

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

The accompanying notes form part of these financial statements.

## Consolidated Statement of Comprehensive Income
***For the 53 weeks ended 29 September 2024***

| | **53 weeks ended 29 September 2024 £m** | 52 weeks ended 24 September 2023 £m |
|---|---|---|
| **Loss for the period** | **(160)** | (155) |
| **Items that will not be reclassified to the income statement** | | |
| Re-measurement of defined benefit pension schemes | **8** | (3) |
| Tax charge relating to components of other comprehensive income | **(35)** | (142) |
| Revaluation of assets on transfer to Investment Property | **-** | 1 |
| Revaluation of property, plant and equipment | **126** | 790 |
| **Other comprehensive profits after tax** | **99** | 646 |
| **Total comprehensive (loss) / profit for the period** | **(61)** | 491 |

The accompanying notes form part of these financial statements.

## Consolidated Balance Sheet
***At 29 September 2024***

| | Notes | 29 September 2024 £m | 24 September 2023 £m |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 9 | 4,403 | 4,441 |
| Investment property | 10 | 266 | 259 |
| Brand | 12 | 1 | 1 |
| Goodwill | 12 | 17 | 17 |
| Financial assets | 18 | 5 | 5 |
| Trade and other receivables | 19 | 7 | 7 |
| Retirement benefit surplus | 27 | 1 | 1 |
| | | 4,700 | 4,731 |
| **Current assets** | | | |
| Inventories | 17 | 21 | 23 |
| Trade and other receivables | 19 | 247 | 96 |
| Cash and cash equivalents | | 171 | 92 |
| Financial assets | 18 | 1 | 1 |
| | | 440 | 212 |
| Non-current assets held for sale | 11 | 58 | 32 |
| **Total assets** | | 5,198 | 4,975 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 20 | (366) | (342) |
| Borrowings | 21 | (166) | (310) |
| | | (532) | (652) |
| **Non-current liabilities** | | | |
| Borrowings | 21 | (3,760) | (3,570) |
| Derivative financial instruments | 22 | (17) | (24) |
| Deferred tax liabilities | 16 | (96) | (115) |
| Retirement benefit obligations | 27 | - | (8) |
| Provisions | 23 | (2) | (5) |
| | | (3,875) | (3,722) |
| **Total liabilities** | | (4,407) | (4,374) |
| **Net assets** | | 791 | 601 |
| **Equity** | | | |
| Called up share capital | 24 | 5 | 5 |
| Share premium | 24 | 1,448 | 1,198 |
| Revaluation reserve | 24 | 915 | 793 |
| Capital contribution reserve | 24 | 4 | 3 |
| Retained earnings | | (1,580) | (1,396) |
| **Total equity attributable to owners of the parent company** | | 792 | 603 |
| **Non-controlling interests** | | (1) | (2) |
| **Total equity** | | 791 | 601 |

The accompanying notes form part of these financial statements.

These financial statements were approved by the board of directors on 16 January 2025 and were signed on its behalf by:

**David Ross**
*Director*
Company registered number: FC029833

## Consolidated Statement of Changes in Equity
***For the 53 weeks ended 29 September 2024***

| | 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 24 September 2023** | **5** | **1,198** | **793** | **3** | **(1,396)** | **603** | **(2)** | **601** |
| **Total comprehensive income / (losses):** | | | | | | | | |
| Losses for the period | - | - | - | - | (160) | (160) | - | (160) |
| Other comprehensive income for the period | - | - | 126 | - | (27) | 99 | - | 99 |
| Total comprehensive income / (losses) for the period | **-** | **-** | **126** | **-** | **(187)** | **(61)** | **-** | **(61)** |
| Transfer of realised revaluation surplus on disposals | **-** | **-** | **(4)** | **-** | **4** | **-** | **-** | **-** |
| New share capital issued | **-** | **250** | **-** | **-** | **-** | **250** | **-** | **250** |
| Change in ownership interest in subsidiary undertaking | - | **-** | **-** | **-** | **(1)** | **(1)** | **1** | **-** |
| Capital contribution | - | **-** | **-** | **1** | **-** | **1** | **-** | **1** |
| **Total equity at 29 September 2024** | **5** | **1,448** | **915** | **4** | **(1,580)** | **792** | **(1)** | **791** |
| Total equity at 25 September 2022 | 5 | 1,198 | 2 | 2 | (1,095) | 112 | (3) | 109 |
| Total comprehensive income / (losses): | | | | | | | | |
| Losses for the period | - | - | - | - | (155) | (155) | - | (155) |
| Other comprehensive income / (losses) for the period | - | - | 791 | - | (145) | 646 | - | 646 |
| Total comprehensive income / (losses) for the period | - | - | 791 | - | (300) | 491 | - | 491 |
| Change in ownership interest in subsidiary undertaking | - | - | - | - | (1) | (1) | 1 | - |
| Capital contribution | - | - | - | 1 | - | 1 | - | 1 |
| Total equity at 24 September 2023 | 5 | 1,198 | 793 | 3 | (1,396) | 603 | (2) | 601 |

The accompanying notes form part of these financial statements.

**Consolidated Cash Flow Statement**
***For the 53 weeks ended 29 September 2024***

| | **53 weeks ended 29 September 2024 £m** | 52 weeks ended 24 September 2023 £m |
|---|---|---|
| **Cash flows from operating activities** | | |
| Loss for the period | **(160)** | (155) |
| Adjustments for: | | |
| -Depreciation, amortisation, impairment and movement in value of the estate | **244** | 382 |
| -Profit on sale of non-current assets | **(16)** | (8) |
| -Finance income | **(19)** | (2) |
| -Finance costs | **455** | 301 |
| -Movement in swaps | **27** | 26 |
| -UK income tax credit | **(54)** | (102) |
| | **477** | 442 |
| Changes in: | | |
| -Inventories | **2** | (1) |
| -Receivables | **(3)** | (15) |
| -Payables | **7** | - |
| -Provisions | **(3)** | - |
| -Difference between pension contributions | **-** | (3) |
| **Cash generated from operating activities** | **480** | 423 |
| Interest received | **19** | 1 |
| Income tax paid | **-** | (2) |
| **Net cash flow from operating activities** | **499** | 422 |
| **Cash flows from investing activities** | | |
| Purchase of property, plant and equipment | **(148)** | (144) |
| Net proceeds from sale of property, plant and equipment | **68** | 49 |
| Loan made to group undertaking | **(8)** | - |
| **Net cash flow from investing activities** | **(88)** | (95) |
| **Cash flows from financing activities** | | |
| Interest paid | **(414)** | (314) |
| Advance of borrowings | **1,042** | 429 |
| Repayment of borrowings | **(769)** | (447) |
| Transaction costs related to loans and borrowings | **(97)** | (3) |
| Payment of principal portion of lease liabilities | **(58)** | (33) |
| Payments in relation to derivative financial instruments | **(31)** | - |
| Redemption premium paid on prepayment | **(4)** | - |
| Payment for non-controlling interest in subsidiary undertaking | **(1)** | - |
| **Net cash flow from financing activities** | **(332)** | (368) |
| **Net increase/(decrease) in cash and cash equivalents** | **79** | (41) |
| Opening cash and cash equivalents | **92** | 133 |
| **Closing cash and cash equivalents** | **171** | 92 |

At 29 September 2024 £30 million of the closing cash and cash equivalents (2023: £40 million) is held within the Unique securitisation and £46 million (2023: £Nil) is held in the restricted portfolio loan group (note 22).

The accompanying notes form part of these financial statements.

**Notes to the consolidated financial statements**

## 1 Accounting policies

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

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The consolidated 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 these consolidated financial statements in accordance with UK-adopted international accounting standards ("UK-adopted IFRS"), as allowed under Cayman Island Company Law.

There is no statutory requirement for accounts to be audited in the UK; however, these accounts are being prepared and 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.

No parent company information is presented in these consolidated financial statements, Companies Law (2013 Revision) in the Cayman Islands does not require such information to be presented. The parent company information has been prepared under FRS 102. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Group financial statements.

### 1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: financial liabilities (including derivatives) measured at fair value; property plant and equipment, following the adoption of a valuation policy at 29 September 2024, and investment property. Non-current assets held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

### 1.2 Going concern

The macroeconomic environment continues to impact the Group in the current year and will likely do so moving forward. Although inflation has come down from the prior year level, cost of living remains high such that the population has lower disposable income. The Group therefore has to work harder to attract guests to its pubs, bars and venues over our competitors. Profit and operating cashflows are therefore lower than would otherwise have resulted had these conditions not existed.

The financial position of the Group is set out in the Consolidated Balance Sheet on page 25 which shows net assets of £791 million (2023: £601 million). During the 53 weeks ended 29 September 2024 the Group has experienced a net cash inflow of £79 million (52 weeks ended 24 September 2023: net cash outflow of £41 million).

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 £248 million. The continued availability of the revolving credit facility is subject to compliance with covenants (see note 22). The Directors consider that this is a normal feature of trading in this industry.

In the managed business, customers pay by cash or card at the point of sale, resulting in minimal credit risk, whilst in the leased and tenanted business, the Group has a dedicated credit control function, who are able to manage the credit risk exposure. The Group typically operates with net current liabilities (29 September 2024: £92 million (excludes drawn RCF); 24 September 2023: £282 million net current liabilities).

At the balance sheet date, the Group was financed by external debt totalling £3,197 million (24 September 2023: £3,013 million), of which an amount of £330 million related to the Unique securitisation is subject to covenants that are tested quarterly and, if breached, would result in the debt becoming repayable on demand. In addition a further £638 million was raised during the year by way of a portfolio transaction. This will become subject to covenant compliance from May 2026. The Group was compliant with all covenants at the year end test date. Details of the debt facilities are set out in note 21.

**Notes** *(continued)*

## 1 Accounting policies *(continued)*

### 1.2 Going concern *(continued)*

The Board have reviewed the cash flow forecasts for the Company and the Group for the period through to January 2026 ("the going concern assessment period"). This period incorporates at least 12 months from the date of signing these financial statements.

The base case forecasts reviewed by the Board reflect levels of trade across the Group in line with the current year, sales price increases generally in line with inflation, labour cost rises and certain out of contract cost price increases.

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, the Unique securitisation nor the covenant within the portfolio facilities.

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. It has been assumed that variable costs move in line with the reduction in sales, disposals are half what is currently planned and interest rates on the floating rate debt increase by 1%. These forecasts indicate that in this severe but plausible downside, there remains sufficient liquidity within the Group and the covenants would not be breached.

Based on the above, the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis. These financial statements therefore do not contain the adjustments that would result if the Group were unable to continue as a going concern.

### 1.3 Basis of consolidation

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

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

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

**Notes** *(continued)*

**1 Accounting policies** *(continued)*

**1.4 Key accounting judgements and estimates**

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions in the application of accounting policies that affect reported amounts of assets, liabilities, revenues and expenses during the period. Management periodically evaluates its estimates and judgements and bases them on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about the carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates.

**Key accounting judgements**

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

*Exceptional items*

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

*Going concern*

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

**Notes** *(continued)*

## 1 Accounting policies *(continued)*

### 1.4 Key accounting judgements and estimates *(continued)*

*Financing costs*

When borrowings are refinanced, the Group uses judgement when reviewing whether the arrangements constitute an extinguishment of the original financial liability and the recognition of a new financial liability or a substantial or non-substantial modification of the terms of the existing financial liability. Management have taken into account both quantitative and a range of qualitative factors where judgement has been applied. As described in note 21, the Group carried out a number of refinancing events during the period and the following judgements have been made:

- With regards to the refinancing of £1,235 million Senior Secured Notes and £500 million of Privately Placed Notes with £1,682 million of Senior Secured Notes on 14 August 2024, judgement has been applied in determining that these events were substantial modifications to the existing financial liability through consideration of the difference between the net present value of future cashflows driven by the existing liability and the new liabilities.
- With regards to the refinancing of €496 million of Floating Rate Notes with €470 million of Floating Rate Notes on 14 August 2024, judgement has been applied in determining that the event was a non-substantial modification through the consideration of the difference between the net present value of future cash flows driven by the existing liability and the new liability. In addition, management have considered the qualitative factors; the currency of the debt is consistent, the principal amount isn't significantly different and the debt has remained at a floating coupon plus a margin.
- With regards to the repayment of the £400 million Second lien debt, since this was bought back and fully repaid, it has been treated as an extinguishment.
- With regards to the extension of the Revolving Credit Facility, judgement has been applied in determining that this was a substantial modification to the existing financial liability through consideration of the difference between the net present value of future cashflows driven by the existing liability and the new liabilities.

**Key areas of estimation**

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

*Valuation of property, plant and equipment, and investment property*

Licensed land and buildings are revalued annually to fair value in accordance with RICS Valuation – Global Standards and IFRS 13. The valuation methodology uses an estimation of the fair maintainable trade (FMT) of a pub held in PPE and commercial rent for a property held as an investment property and then applies a multiple. The FMT is estimated based on historic trends and projected future income whilst multiples are determined by our valuers with reference to each specific asset and market information. For more details on the FMT and multiples see note 13. The valuers also make reference to market evidence of transaction prices for similar properties. An adjustment to any of these assumptions could lead to a material change in the property valuation. The highest and best use for the licensed land and buildings is assumed to be their current use by the Group, principally due to the legal restrictions imposed by the agreement with the publican, planning regulations and the financial implications of a change of use given those restrictions and the Group's business model. However, consideration is given to an alternative highest and best use if there are factors that indicate that such an alternative use exists which is physically possible, legally permissible and financially feasible.

Further information about the valuation of the estate is provided in note 13 of these financial statements.

**Notes** *(continued)*

## 1 Accounting policies *(continued)*

### 1.5 Financial instruments

***Recognition and initial measurement***

Trade receivables and debt securities issued are initially recognised when they originate. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

***Classification and subsequent measurement***

***Financial assets***

*(a) Classification*

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

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

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

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

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

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis. All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

**Notes** *(continued)*

## 1 Accounting policies *(continued)*

### 1.5 Financial instruments *(continued)*

*(b) Subsequent measurement and gains and losses*

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

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

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

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

***Financial liabilities and equity***

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

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

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

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

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

**Notes** *(continued)*

## 1 Accounting policies *(continued)*

### 1.5 Financial instruments *(continued)*

When borrowings are refinanced the Group reviews whether the arrangement constitutes an extinguishment of the original financial liability and the recognition of a new financial liability or a modification of the terms of the existing financial liability. If the refinanced borrowings are accounted for as an extinguishment of the original financial liability or as a substantial modification, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment and written off through non-underlying finance costs and the new borrowings are recognised at fair value. If the refinanced borrowings are accounted for as a non-substantial modification, a gain or loss is recognised at the time of the non-substantial modification (to the extent that there is a change in the expected amount or timing of payments of interest and principal).

The gain or loss is calculated as the difference between the present value of the cash flows (excluding fees) under the original and modified terms discounted at the original effective interest rate. Any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining life of the modified loan.

***Derivative financial instruments***

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

### 1.6 Property, plant and equipment

Licensed land and buildings are held at their fair value and landlords' fixtures and fittings and other assets are held at cost less depreciation.

The licensed land and buildings, except for those non-current assets held for sale, are revalued each year by external valuers qualified to carry out such valuations.

Licensed land and buildings are revalued annually to fair value in accordance with RICS Valuation – Global Standards and IFRS 13. The valuation methodology uses an estimation of the fair maintainable trade (FMT) of a pub held in PPE and commercial rent for a property held as an investment property and then applies a multiple. The FMT is estimated based on historic trends and projected future income whilst multiples are determined by our valuers with reference to each specific asset and market information. For more details on the FMT and multiple see note 13.

The valuers also make reference to market evidence of transaction prices for similar properties. An adjustment to any of these assumptions could lead to a material change in the property valuation.

The highest and best use for the licensed land and buildings is assumed to be their current use by the Group, principally due to the legal restrictions imposed by the agreement with the publican, planning regulations and the financial implications of a change of use given those restrictions and the Group's business model. However, consideration is given to an alternative highest and best use if there are factors that indicate that such an alternative use exists which is physically possible, legally permissible and financially feasible.

Surpluses arising from the revaluation exercise are taken through other comprehensive income to the revaluation reserve except where they reverse a revaluation decrease relating to the same asset previously recognised as an expense in the income statement in which case the reversal of the revaluation decrease is recognised in the income statement. Any deficit arising from the revaluation exercise is taken through other comprehensive income to the revaluation reserve to the extent that there is a surplus in place relating to the same asset. Any further decrease in value is recognised in the income statement as an expense.

Property, plant and equipment that are not included in the revaluation are stated at cost less accumulated depreciation and accumulated impairment losses.

**Notes** *(continued)*

## 1 Accounting policies *(continued)*

### 1.6 Property, plant and equipment *(continued)*

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

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

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

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

Property, plant and equipment that are not included in the revaluation are reviewed annually for indications of impairment. Where any indications are identified, assets are assessed fully for impairment. Impairment occurs where the recoverable amount of the asset is less than its carrying amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Any impairment loss is treated as an expense in the income statement, and any subsequent impairment reversal as a gain in the income statement.

### 1.7 Investment property

The Group leases some properties on commercial leases within the Commercial Properties segment. The commercial terms of these leases result in the assets meeting the criteria of investment property. Properties held as investment property are measured at fair value reflecting market conditions at the balance sheet date. Gains and losses arising from changes in the fair value of investment property are recognised in the income statement in the period in which they arise. Fair values are determined based on an annual revaluation by external valuers.

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

**Notes** *(continued)*

## 1 Accounting policies *(continued)*

### 1.8 Non-current assets held for sale

Properties identified for disposal which are classified in the balance sheet as non-current assets held for sale are held at the lower of carrying value on transfer to non-current assets held for sale, as assessed at the time of transfer, and fair value less costs to dispose. The fair value less costs to dispose is based on the net estimated realisable disposal proceeds (ERV) which is derived from internal valuations when the property is transferred to non-current assets held for sale and then sense checked with third party property agents who have been engaged to sell the properties.

Licensed land and buildings, investment property and right-of-use assets are classified as held for sale when they have been identified for disposal by the Group. They must be available for immediate sale in their present condition and the sale should be highly probable. These conditions are met when management are committed to the sale, the property or lease is actively marketed and the sale is expected to occur within one year. Licensed land and buildings held for sale are not depreciated and right of use assets held for sale are not amortised.

Profits or losses on disposal of property are calculated as the difference between the net sales proceeds and the carrying amount of the asset within non-current assets held for sale at the date of disposal.

### 1.9 Business combinations

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

*Acquisitions post transition date*

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

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

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

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

### 1.10 Intangible assets and goodwill

*Goodwill*

Goodwill represents the excess of consideration over the fair value of identifiable assets and liabilities acquired in a business combination. Goodwill is not amortised but is tested for impairment annually, or more frequently where events or changes in circumstances indicate that the carrying value may be impaired. Goodwill is stated at cost less any impairment. For the purpose of impairment testing, goodwill is allocated to cash generating units that are consistent with the Group’s operating segments. At 29 September 2024 the balance of goodwill remaining is allocated to the Operator-led operating segment. As properties move between segments the associated goodwill will also be transferred.

*Brand*

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

**Notes** *(continued)*

**1 Accounting policies** *(continued)*

**1.11 Leases**

*As a lessee*

The Group leases properties and vehicles.

At the inception of a contract the Group assesses whether that contract is or contains a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

For all other leases where it is the lessee the Group recognises a lease liability and a right-of-use asset at the commencement date of the lease.

The lease liability is initially measured at the present value of the remaining lease payments at commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

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

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

For rent concessions in leases the Group assesses whether there is a lease modification. The lease liability is then re-measured at the present value of the revised lease payments at the modification date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. The change in the present value of the lease liability is accounted for as an increase to the right-of-use asset where it relates to a future change, with any element relating to a past payment dated before the modification date accounted for in the income statement.

The right-of-use asset is recognised at an amount equal to the total of the lease liability, any lease payments made at or before the commencement date, any initial direct costs and the estimated future dismantling, removal and site restoration costs. The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment', the same line item as it presents underlying assets of the same nature that it owns.

Right-of-use assets included in property, plant and equipment are initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for any re-measurements or modifications of the lease liability. Where the right-of-use asset is in relation to an investment property it is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's accounting policies. Where a property held on lease transfers from PPE to investment property the right of use asset is revalued to fair value before transfer.

**Notes** *(continued)*

## 1 Accounting policies *(continued)*

### 1.11 Leases *(continued)*

*As a lessor*

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

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

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

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

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

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

*Leases acquired in a business combination*

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

### 1.12 Inventories

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

### 1.13 Trade receivables and trade payables

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

Trade payables are held at amortised cost.

### 1.14 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement. The Group was not drawn on its bank overdraft facility at 29 September 2024 or 24 September 2023.

**Notes** *(continued)*

## 1 Accounting policies *(continued)*

### 1.15 Impairment excluding inventories and deferred tax assets

*Financial assets (including receivables)*

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

*Non-financial assets*

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

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

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

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

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

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

**Notes** *(continued)*

## 1 Accounting policies *(continued)*

### 1.16 Employee benefits

*Defined contribution plans*

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

*Defined benefit plans*

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

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

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

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

*Short-term benefits*

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

*Share-based payment transactions*

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

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

**Notes** *(continued)*

**1 Accounting policies** *(continued)*

**1.17 Provisions**

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

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

**1.18 Revenue**

Revenue is the fair value of consideration received or receivable for goods and services provided in the normal course of business, net of discounts and VAT. Revenue from drink and food is recognised at the point at which the goods are provided. Property rental income is recognised on a straight-line basis over the life of the lease. Amusement machine royalties are recognised in the accounting period to which the income relates.

**Leased and tenanted**

*Drink revenue* – Drink revenue is earned from the supply of drink products to publicans and revenue is recognised at the point of delivery to the pub at which point physical possession is passed and the publican takes control of the product, obtaining the significant risks and rewards of ownership. The proceeds from the sale are recognised as revenue.

*Rent revenue* – Rent revenue is recognised on a straight-line basis over the term of the lease based on the contractual terms of the lease agreement.

*Revenue from amusement and other machines* – Amusement machine royalty income represents the Group's share of the net income earned from machines in the Group's properties. The revenue is recognised in the period to which the sale relates.

**Managed**

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

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

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

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

**Operator-led**

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

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

*Admission, accommodation and other revenue* – Other revenue includes admission and accommodation income and is recognised in the period to which the sale relates.

**Notes** *(continued)*

## 1 Accounting policies *(continued)*

### 1.19 Supplier incentives

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

### 1.20 Taxation

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

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

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

### 1.21 Exceptional items

The Group presents separately on the face of the income statement those material items of income and expense which are outside of the normal course of trading, which management consider will distort comparability, in order to provide a trend measure of underlying performance. This includes the profit / (loss) on sale of property, movements in the valuation of investment properties and property, plant and equipment and the impairment of property, plant and equipment and goodwill which do not directly result from the underlying trading performance of the Group and are not in their direct control, and therefore have been categorised as exceptional items. These costs are discussed further in note 7.

### 1.22 Adopted IFRS not yet applied

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

- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022)
- Amendments to IAS 1 Presentation of Financial Statements:
- Classification of Liabilities as Current or Non-current (July 2020)
- Non-current liabilities with Covenants (Oct 2022)
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (issued on 25 May 2023)

**Notes** *(continued)*

## 2 Segmental reporting

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

The Group has 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.

**Notes** *(continued)*

## 2 Segmental reporting *(continued)*

| 2024<br>53 weeks | Leased and tenanted<br>£m | Managed<br>£m | Operator-led<br>£m | Central<br>£m | Total<br>£m |
|---|---|---|---|---|---|
| Drink revenue | 304 | 733 | 301 | - | 1,338 |
| Rent revenue | 127 | - | - | - | 127 |
| Food revenue | - | 166 | 2 | - | 168 |
| Revenue from amusement and other machines | 8 | 23 | 30 | - | 61 |
| Admission, accommodation and other revenue | 1 | 52 | - | - | 53 |
| Total revenue | **440** | **974** | **333** | **-** | **1,747** |
| Other income | - | - | - | 30 | 30 |
| Operating costs before depreciation and amortisation | (172) | (756) | (237) | (135) | (1,300) |
| EBITDA | **268** | **218** | **96** | **(105)** | **477** |
| Depreciation, amortisation, impairment and movement in value of the estate | | | | | (244) |
| Profit on sale of non-current assets | | | | | 16 |
| Net finance costs and movement in fair value of swaps | | | | | (463) |
| Loss before tax | | | | | **(214)** |
| Taxation | | | | | 54 |
| **Loss after tax** | | | | | **(160)** |

| 2023<br>52 weeks | Leased and tenanted<br>£m | Managed<br>£m | Operator-led<br>£m | Central<br>£m | Total<br>£m |
|---|---|---|---|---|---|
| Drink revenue | 297 | 767 | 255 | - | 1,319 |
| Rent revenue | 116 | - | - | - | 116 |
| Food revenue | - | 178 | 1 | - | 179 |
| Revenue from amusement and other machines | 8 | 24 | 24 | - | 56 |
| Admission, accommodation and other revenue | 6 | 42 | 1 | - | 49 |
| Total revenue | **427** | **1,011** | **281** | **-** | **1,719** |
| Other income | - | - | - | - | - |
| Operating costs before depreciation and amortisation | (171) | (791) | (198) | (117) | (1,277) |
| EBITDA | **256** | **220** | **83** | **(117)** | **442** |
| Depreciation, amortisation, impairment and movement in value of the estate | | | | | (382) |
| Profit on sale of non-current assets | | | | | 8 |
| Net finance costs and movement in fair value of swaps | | | | | (325) |
| Loss before tax | | | | | **(257)** |
| Taxation | | | | | 102 |
| **Loss after tax** | | | | | **(155)** |

**Notes** *(continued)*

### 3 Expenses

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

| | **2024** | 2023 |
|---|---|---|
| | **53 weeks** | 52 weeks |
| | **£m** | £m |
| Drink and food costs | **464** | 463 |
| Employment costs | **346** | 341 |
| Other costs | **490** | 473 |
| Depreciation, amortisation, impairment and movement in value of the estate | **244** | 382 |
| Profit on sale of non-current assets | **(16)** | (8) |
| **Costs / (gains) deducted from revenue to determine operating profit** | **1,528** | 1,651 |

Included within the above costs is a cost of £117 million (2023: £225 million) relating to exceptional items (see note 7).

### 4 Employees

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

| | **2024** | 2023 |
|---|---|---|
| | **53 weeks** | 52 weeks |
| Head office administration[1] | **1,099** | 1,234 |
| Retail[1] | **15,624** | 17,415 |
| | **16,723** | 18,649 |

[1] The employee numbers above relate to actual employees rather than full-time employee equivalents.

At the period end the Group had 15,864 employees (2023: 18,023 employees). The aggregate payroll costs were as follows:

| | **2024** | 2023 |
|---|---|---|
| | **53 weeks** | 52 weeks |
| | **£m** | £m |
| Wages and salaries | **314** | 309 |
| Social security costs | **25** | 24 |
| Pension costs | **6** | 7 |
| Equity settled share based payment expense | **1** | 1 |
| | **346** | 341 |

**Notes** *(continued)*

## 5 Finance income

| | 2024<br>53 weeks<br>£m | 2023<br>52 weeks<br>£m |
|---|---|---|
| Other interest receivable | **19** | 2 |
| **Total finance income** | **19** | 2 |

## 6 Finance costs

| | 2024<br>53 weeks<br>£m | 2023<br>52 weeks<br>£m |
|---|---|---|
| Interest payable on loan notes | **313** | 235 |
| Other interest payable | **18** | 12 |
| Debt issue costs amortisation | **6** | 2 |
| Other finance costs | **3** | 4 |
| Foreign exchange gain | **(40)** | - |
| Interest expense on lease liabilites | **48** | 48 |
| Exceptional interest payable and finance costs | **107** | - |
| **Total finance costs** | **455** | 301 |

## 7 Exceptional items

| | 2024<br>53 weeks<br>£m | 2023<br>52 weeks<br>£m |
|---|---|---|
| **Other income:** | | |
| Business interruption | **(30)** | - |
| **Operating costs before depreciation and amortisation:** | | |
| Business interruption insurance | - | 1 |
| Surrender premiums | **1** | 2 |
| Business reorganisation | **8** | 5 |
| Professional fees associated with Group restructuring | **11** | - |
| Other costs / (gains) | **2** | (1) |
| Movements in value of the estate and related assets | **111** | 48 |
| Impairment of goodwill | **-** | 178 |
| Profit on sale of non-current assets | **(16)** | (8) |
| | **87** | 225 |
| **Net finance costs** | **107** | - |
| **UK income tax credit relating to exceptional items** | **(46)** | (83) |
| **Total exceptional costs** | **148** | 142 |

**Business interruption insurance:** Following the closure of pubs as a result of Covid-19 the Group received £30 million of proceeds relating to business interruption during this period of closure (2023: £1 million costs incurred relating to the insurance claim).

**Surrender premiums:** During the period £1 million (2023: £2 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.

**Notes** *(continued)*

## 7 Exceptional items *(continued)*

**Business reorganisation:** During the period £8 million (2023: £5 million) has been incurred in relation to a Group restructuring of its support function, including associated legal and professional fees.

**Other costs / (gains)::** In the period £2 million of costs have been incurred relating to the dual running costs of certain contracts. In the 52 weeks ended 24 September 2023 a health and safety insurance case was concluded and as a result £1 million was released from provisions to the income statement

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

| | **2024** | 2023 |
|---|---|---|
| | **53 weeks** | 52 weeks |
| | **£m** | £m |
| Impairment of property, plant and equipment (note 9) | **70** | 27 |
| Reversal of impairment of property plant and equipment (note 9) | **(12)** | (28) |
| Reversal of impairment of financial assets (note 18) | **-** | (1) |
| Net movement from impairment | **58** | (2) |
| Movement in investment property from revaluation of the estate (note 10) | **(2)** | (12) |
| Impairment of non-current assets held for sale (note 11) | **2** | 6 |
| Revaluation of property, plant and equipment on transfer to non current assets held for sale (note 9) | **9** | - |
| Revaluation loss charged as an impairment (note 9) | **44** | 56 |
| **Total movements in valuation of the estate and related assets** | **111** | 48 |

**Impairment of goodwill:** In the prior period an impairment of £178 million was recognised. Further details of this impairment charge can be found in note 14.

**Profit on sale of non-current assets:** The Group has disposed of 70 trading sites, five non licensed and two non-trading property in the period for net proceeds of £58 million (52 weeks 2023: 68 trading sites; ten non licensed, and eight non-trading properties for net proceeds of £49 million), which also includes the sale of fixtures and fittings to publicans. Included in the number of disposals were 15 lease hand backs for £1 million proceeds (52 weeks 2023: nine). In addition to the above the Group completed a sale and lease back agreement on ten properties realising further proceeds of £10 million.

**Net finance costs:** The refinancing of the Senior Secured Notes and the Revolving Credit Facility were both assessed as a substantial modification and therefore fees paid in relation to these facilities of £85 million have been recognised in the Income Statement. The refinancing of the Floating Rate Euro Note was assessed as a non-substantial modification and therefore a day 1 adjustment to carrying value of the loan of £21 million has been recognised in the Income Statement. Existing fees and fair value adjustments on the Balance Sheet at the date of the refinancing have been written off which resulted in a £3 million credit to net finance costs and a redemption premium of £4 million was paid on the repayment of the Class A4 Securitised bonds.

**UK income tax credit:** UK income tax credit of £46 million (2023: £83 million) relating to tax credits on exceptional items exceptional items. In the prior period it also included a deferred tax credit of £52 million arising from the change in accounting policy to revalue the property estate, which led to revised expectations for the future tax base of those properties and a deferred tax credit £25 million credit for indexation claimed on chargeable gains arising as a result of that change in accounting policy.

**Notes** *(continued)*

## 8 Taxation

| | **2024** **53 weeks** **£m** | 2023 52 weeks £m |
|---|---|---|
| **Tax charged in the income statement** | | |
| Current tax: | | |
| - UK corporation tax | - | 1 |
| - Adjustments in respect of previous periods | - | 1 |
| Total current tax charge | - | 2 |
| Deferred tax: | | |
| - Origination and reversal of temporary differences | **(48)** | (85) |
| - Adjustments in respect of previous periods | **(6)** | (19) |
| Total deferred tax credit | **(54)** | (104) |
| **Total current and deferred tax credited in the income statement** | **(54)** | (102) |

| | **2024** **53 weeks** **£m** | 2023 52 weeks £m |
|---|---|---|
| **Tax credited in other comprehensive income** | | |
| Deferred tax: | | |
| - Revaluation of property and rolled over gains | **33** | 142 |
| - Re-measurement of defined benefit pension schemes | **2** | - |
| **Total tax charge recognised in other comprehensive income** | **35** | 142 |

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

| | **2024** **53 weeks** **£m** | 2023 52 weeks £m |
|---|---|---|
| Loss before tax | **(214)** | (257) |
| Tax at current UK corporation tax rate of 25% (2023: 22%) | **(54)** | (57) |
| Expenses not deductible for tax purposes | **6** | 49 |
| Adjustment in respect of previous periods | **(6)** | (18) |
| Movement in deferred tax liability for retained properties due to indexation | **-** | (24) |
| Deferred tax credit as a result of change in accounting policy* | **-** | (52) |
| **Total tax credited in the income statement** | **(54)** | (102) |

*The deferred tax credit in the prior period of £52 million arose as a result of the change in accounting policy to revalue the property estate, which led to revised expectations for the tax base of those properties.

The UK Government announced that new Pillar Two rules will come into effect for certain businesses and will apply to the first accounting period beginning after 1 January 2024. These rules will therefore apply to the group for the first time in the accounts for the year ended 28 September 2025. Management expect the transitional safe harbour rules to apply for the first three years such that no returns or top up tax under these rules will be due.

## Notes *(continued)*

## 9 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 or valuation** | | | | | | | |
| At 25 September 2022 | 999 | 3,010 | 187 | 210 | 242 | 81 | 4,729 |
| Additions | - | 55 | 6 | 21 | 52 | 13 | 147 |
| Modifications | 14 | - | - | - | - | - | 14 |
| Fair value on transfer to investment properties: | - | - | - | - | - | - | |
| -Revaluation reserve | - | 1 | - | - | - | - | 1 |
| Adoption of revaluation policy: | | | | | | | |
| -Revaluation reserve (note 13) | - | 506 | - | - | - | - | 506 |
| -Income statement (note 13) | - | (133) | - | - | - | - | (133) |
| Disposals | (13) | (1) | (3) | (1) | (13) | - | (31) |
| Transfer to non-current assets held for sale (note 11) | - | (59) | (1) | (5) | (1) | - | (66) |
| Transfer to investment properties (note 10) | (9) | (48) | - | (25) | - | - | (82) |
| Fully depreciated assets | - | - | - | - | (44) | - | (44) |
| At 24 September 2023 | 991 | 3,331 | 189 | 200 | 236 | 94 | 5,041 |
| Additions | 6 | 53 | 11 | 21 | 75 | - | 166 |
| Modifications | - | - | - | - | - | - | - |
| Revaluation of non-current assets held for sale to fair value: | | | | | | | |
| -Income Statement | - | (9) | - | - | - | - | (9) |
| Revaluation: | - | - | - | - | - | - | |
| -Revaluation reserve (note 13) | - | 126 | - | - | - | - | 126 |
| -Income statement (note 13) | - | (44) | - | - | - | - | (44) |
| Disposals | (18) | - | (3) | - | (8) | (5) | (34) |
| Transfer to non-current assets held for sale (note 11) | - | (45) | - | (3) | - | - | (48) |
| Transfer to investment properties (note 10) | (6) | (19) | - | (1) | - | - | (26) |
| Reclassification | - | 2 | (2) | - | - | - | - |
| Fully depreciated assets | (10) | - | - | - | (43) | - | (53) |
| **At 29 September 2024** | **963** | **3,395** | **195** | **217** | **260** | **89** | **5,119** |
| **Depreciation** | | | | | | | |
| At 25 September 2022 | (233) | (383) | (87) | (51) | (136) | (39) | (929) |
| Charge for the period | (57) | (14) | (13) | (21) | (40) | (10) | (155) |
| Impairment charge (note 14) | (3) | (2) | (22) | - | - | - | (27) |
| Impairment reversal (note 14) | 25 | 1 | 2 | - | - | - | 28 |
| Adoption of revaluation policy: | | | | | | | |
| -Revaluation reserve (note 13) | - | 284 | - | - | - | - | 284 |
| -Income statement (note 13) | - | 77 | - | - | - | - | 77 |
| Disposals | 5 | 1 | 2 | - | 8 | - | 16 |
| Transfer to investment properties (note 10) | - | 17 | - | 24 | - | - | 41 |
| Transfer to non-current assets held for sale (note 11) | - | 19 | - | 1 | 1 | - | 21 |
| Fully depreciated assets | - | - | - | - | 44 | - | 44 |
| At 24 September 2023 | (263) | - | (118) | (47) | (123) | (49) | (600) |
| Charge for the period | (55) | - | (11) | (16) | (49) | (2) | (133) |
| Impairment charge (note 14) | (70) | - | - | - | - | - | (70) |
| Impairment reversal (note 14) | 12 | - | - | - | - | - | 12 |
| Reclassification | (14) | - | 14 | - | - | - | - |
| Disposals | 11 | - | 2 | - | 3 | 5 | 21 |
| Transfer to non-current assets held for sale (note 11) | - | - | - | 1 | - | - | 1 |
| Fully depreciated assets | 10 | - | - | - | 43 | - | 53 |
| **At 29 September 2024** | **(369)** | **-** | **(113)** | **(62)** | **(126)** | **(46)** | **(716)** |
| **Net book value** | | | | | | | |
| **At 29 September 2024** | **594** | **3,395** | **82** | **155** | **134** | **43** | **4,403** |
| At 24 September 2023 | 728 | 3,331 | 71 | 153 | 113 | 45 | 4,441 |

**Notes** *(continued)*

## 9 Property, plant and equipment *(continued)*

If licensed land and buildings had been measured using the cost model, the carrying amounts would be as follows:

| | **29 September 2024 £m** | 24 September 2023 £m |
|---|---|---|
| Cost | **2,940** | 2,958 |
| Accumulated depreciation | **(361)** | (361) |
| | **2,579** | 2,597 |

The Group's licensed land and buildings held in property, plant and equipment and investment property were valued at 29 September 2024 on the basis of open market value for existing use, following the Group's decision to adopt a revaluation policy. The valuations were undertaken in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors in the United Kingdom by Avison Young (UK) Limited, independent Chartered Surveyors.

At 29 September 2024, upwards revaluations have been taken to the revaluation reserve whilst downward revaluations have been taken to the income statement. Overall, there has been an upwards revaluation of £126 million which has credited the revaluation reserve (2023: £790 million on adoption at 24 September 2023) and a downwards revaluation of £111 million which has been debited to the income statement (2023: £48 million on adoption at 24 September 2023).

## 10 Investment property

The Group leases some properties to tenants on commercial leases, the commercial terms of these leases results in the assets meeting the criteria of investment property.

| | Right-of-use assets £m | Land and buildings £m | Total £m |
|---|---|---|---|
| **Fair value** | | | |
| At 25 September 2022 | 31 | 181 | 212 |
| Transfer from property, plant and equipment (note 9) | 9 | 32 | 41 |
| Transfer from non-current assets held for sale (note 11) | 2 | - | 2 |
| Transfer to non-current assets held for sale (note 11) | - | (5) | (5) |
| Revaluation | 3 | 9 | 12 |
| Disposals | (3) | - | (3) |
| At 24 September 2023 | 42 | 217 | 259 |
| Additions | 2 | - | 2 |
| Transfer from property, plant and equipment (note 9) | 6 | 20 | 26 |
| Transfer to non-current assets held for sale (note 11) | - | (21) | (21) |
| Revaluation | (2) | 4 | 2 |
| Disposals | (2) | - | (2) |
| **At 29 September 2024** | **46** | **220** | **266** |

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, which is the same accounting treatment as in the prior period.

**Notes** *(continued)*

## 11 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 25 September 2022 | - | 3 | 9 | 4 | 3 | 19 |
| Transfer from property, plant and equipment (note 9) | - | - | 40 | 5 | - | 45 |
| Transfer from investment properties (note 10) | - | - | 5 | - | - | 5 |
| Transfer to investment properties (note 10) | - | (2) | - | - | - | (2) |
| Additions | - | - | 1 | - | - | 1 |
| Write down to fair value less costs to dispose (note 13) | - | - | (6) | - | - | (6) |
| Disposals | - | - | (30) | - | - | (30) |
| At 24 September 2023 | - | 1 | 19 | 9 | 3 | 32 |
| Transfer from property, plant and equipment (note 9) | - | - | 45 | 2 | - | 47 |
| Transfer from investment properties (note 10) | - | - | 21 | - | - | 21 |
| Write down to fair value less costs to dispose (note 13) | - | - | (2) | - | - | (2) |
| Disposals | - | - | (40) | - | - | (40) |
| **At 29 September 2024** | **-** | **1** | **43** | **11** | **3** | **58** |

Non-current assets held for sale comprises properties that have been identified by the Group for disposal as part of the continued disposal programme. The sale of all assets within this category is expected to be completed within one year of the balance sheet date.

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

Included in non-current assets held for sale are 73 sites, of which two are non-trading sites (24 September 2023: 63 sites, two non-trading).

**Notes** *(continued)*

## 12 Brand and goodwill intangible assets

| | Brand £m | Goodwill £m |
|---|---|---|
| **Cost** | | |
| At 25 September 2022 | 6 | 245 |
| Disposals | - | (2) |
| At 24 September 2023 | 6 | 243 |
| **At 29 September 2024** | **6** | **243** |
| | | |
| **Amortisation** | | |
| At 25 September 2022 | (4) | (48) |
| Charge for the period | (1) | - |
| Impairment (note 14) | - | (178) |
| At 24 September 2023 | (5) | (226) |
| **At 29 September 2024** | **(5)** | **(226)** |
| | | |
| **Net book value** | | |
| **At 29 September 2024** | **1** | **17** |
| At 24 September 2023 | 1 | 17 |

Goodwill has been reduced in the period by £nil (2023: £2 million), representing the apportioned value of goodwill allocated to those sites disposed of during the period. Goodwill impairment of £nil (2023: £178 million) has been charged and is discussed further in note 14.

## 13 Property fair value measurements

At 24 September 2023 the Group adopted a revaluation policy for property, plant and equipment. Therefore at 29 September 2024 the Group has again engaged a third-party valuer, Avison Young (UK) Limited, to conduct a full estate valuation as at the year end date. A sample of 20% of properties were inspected and the remainder were desk reviewed.

In determining the appropriate classes of asset to present for fair value purposes, the Group has considered the nature, characteristics and risks of the assets. This has resulted in determining two separate classes of assets being property assets held in property, plant and equipment and property assets held in investment property.

**Revaluation of property assets held in property, plant and equipment and investment property**

Valuations will be carried out on an annual basis at each period end date. With the exception of properties identified for disposal and transferred to non-current assets held for sale and right of use assets, the Group's properties were revalued as at 29 September 2024 by Avison Young (UK) Limited.

All valuations of assets have been assessed as being level 3 valuations, as there are no directly comparable market observable inputs.

Property assets held in property, plant and equipment were valued using fair maintainable trade income (FMT) capitalised at an appropriate rate of return (as defined within RICS Valuation - Global Standards) or an equivalent multiple. This method of valuation involves making an assessment of the fair maintainable trade, rent, wholesale and machine income that can be generated from the property assuming they are run by a reasonably efficient operator, taking into account future trading potential. This assessment of profit is then capitalised at an appropriate multiple to reflect the risks and rewards of the property. The valuation of the managed pub assets is prepared using a consistent approach that effectively capitalises the net income attributable to the Group from operating the pub at an appropriate multiple.

**Notes** *(continued)*

## 13 Property fair value measurements *(continued)*

In determining the multiple to use, the valuers consider evidence of comparable market transactions. The resulting fair value of the pub represents the land and buildings and any fixed landlords' fixtures and fittings.

Property assets held in investment property include free-of-tie pubs let to tenants at open market rents and non-pub assets. These assets have been valued adopting the investment method of valuation. By reference to the rents, fixed lease terms and market conditions, an appropriate multiple based on comparable market transactions is applied, discounting future rental receipts back to present value.

As valuers make reference to market evidence of transaction prices for similar properties an adjustment to any of these assumptions could lead to a material change in the property valuation.

All classes of asset are, under IFRS 13, required to be valued at highest and best use. IFRS 13 prescribes that the Group's current use is presumed to be its highest and best value, unless market or other factors suggest that a different use by market participants would maximise the value of the asset. In doing their valuations, the valuers consider whether the asset may have a higher or better feasible use which would be reflected in the fair value where applicable. This is on an asset by asset basis if there are circumstances to indicate that there may be a higher and better use. In the current period the highest and best use of all the property assets in property, plant and equipment and investment property has been assessed as their existing use.

The impact of the revaluation is as follows:

| | **2024** | 2023 |
|---|---|---|
| | **53 weeks** | 52 weeks |
| | **£m** | £m |
| **Income Statement** | | |
| Revaluation loss charged as an impairment (note 9) | **44** | 56 |
| Gains on revaluation of investment property (note 10) | **(2)** | (12) |
| Losses on revaluation of non-current assets held for sale (note 11) | **2** | 6 |
| Property, plant and equipment impairment charge (note 9) | **79** | 27 |
| Property, plant and equipment impairment reversal (note 9) | **(12)** | (28) |
| Reversal of impairment of financial assets (note 18) | **-** | (1) |
| | **111** | 48 |
| | | |
| **Revaluation reserve** | | |
| Unrealised surplus | **(126)** | (790) |
| | **(126)** | (790) |

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, which is the same accounting treatment as prior period.

**Notes** *(continued)*

## 13 Property fair value measurements *(continued)*

The table below presents, by class of property, the income and multiple bandings within which the properties have been valued, and the number of properties that have been valued in each of the bandings. In determining the bandings to use, the Group has considered a variety of options including size and location of property, but has concluded that the value of the property is principally driven by FMT and multiple, so this forms the most appropriate disclosure.

**Number of pub assets – within property, plant and equipment**

| | | Multiple applied to income | | | | |
|---|---|---|---|---|---|---|
| Income bandings | Total number | 12 - 16 times | 10 - 12 times | 8 - 10 times | 6 - 8 times | under 6 times |
| **At 29 September 2024** | | | | | | |
| more than £90,000 per annum | 1,737 | 30 | 355 | 883 | 465 | 4 |
| £60,000 to £90,000 per annum | 1,103 | 22 | 371 | 579 | 131 | - |
| less than £60,000 per annum | 452 | 5 | 153 | 254 | 38 | 2 |
| | **3,292** | **57** | **879** | **1,716** | **634** | **6** |
| At 24 September 2023 | | | | | | |
| more than £90,000 per annum | 1,681 | 38 | 329 | 845 | 466 | 3 |
| £60,000 to £90,000 per annum | 1,270 | 22 | 445 | 651 | 152 | - |
| less than £60,000 per annum | 404 | 3 | 149 | 230 | 22 | - |
| | 3,355 | 63 | 923 | 1,726 | 640 | 3 |

Included in the total number of pubs within property, plant and equipment are no non-trading sites (2023: three).

**Number of pub assets – within investment property**

| | | Multiple applied to income | | | | |
|---|---|---|---|---|---|---|
| Income bandings | Total number | over 16 times | 14 - 16 times | 12 - 14 times | 10 - 12 times | under 10 times |
| **At 29 September 2024** | | | | | | |
| more than £90,000 per annum | 39 | - | 3 | 22 | 13 | 1 |
| £60,000 to £90,000 per annum | 110 | - | 14 | 61 | 33 | 2 |
| less than £60,000 per annum | 87 | - | 13 | 51 | 20 | 3 |
| | **236** | **-** | **30** | **134** | **66** | **6** |
| At 24 September 2023 | | | | | | |
| more than £90,000 per annum | 36 | - | 3 | 21 | 12 | - |
| £60,000 to £90,000 per annum | 113 | 1 | 14 | 62 | 33 | 3 |
| less than £60,000 per annum | 94 | 3 | 20 | 42 | 28 | 1 |
| | **243** | **4** | **37** | **125** | **73** | **4** |

Included in the total number of pubs within investment property are no non-trading sites (2023: two).

**Notes** *(continued)*

## 13 Property fair value measurements *(continued)*

**Sensitivity analysis table**

The significant unobservable inputs used in the fair value measurement categorised within level 3 of the fair value hierarchy of the Group's estate are FMT and a multiple. There is a limited amount of interrelation between the variation in these inputs.

A change in either of these assumptions could have a significant effect on the overall valuation of the estate. Sensitivities around these assumptions that are deemed to be reasonably likely based on the experience of the valuers are illustrated below:

**Property, plant and equipment**

| | **2024** | 2023 |
|---|---|---|
| | **£m** | £m |
| **FMT sensitivity** | | |
| +2.5% | **90** | 88 |
| -2.5% | **(90)** | (88) |
| **Multiple sensitivity** | | |
| +0.25 | **99** | 96 |
| -0.25 | **(99)** | (96) |

**Investment property**

| | **2024** | 2023 |
|---|---|---|
| | **£m** | £m |
| **FMT sensitivity** | | |
| +2.5% | **5** | 5 |
| -2.5% | **(5)** | (5) |
| **Multiple sensitivity** | | |
| +0.25 | **4** | 4 |
| -0.25 | **(4)** | (4) |

**Notes** *(continued)*

## 14 Impairment testing

**Property, plant and equipment**

For leasehold properties not included in the valuation the Group considers each of these individual pubs as a cash-generating unit (CGU). At 29 September 2024 779 pubs (2023: 785 pubs) were included in leasehold properties, of which eight are non-trading sites (2023: seven). Each CGU is reviewed annually for indicators of impairment, and impairment reversals for previously impaired CGUs. When indicators of impairment are identified the carrying value of the individual pub is compared to its recoverable amount. The recoverable amount is determined as being the higher of the value in use and fair value less costs to sell. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

Value in use calculations use forecast trading performance cash flows, which are discounted by applying a pre-tax discount rate of 12.3% (2023: 14.0%). The discount rate used is based on the Group weighted average cost of capital (WACC) which has been risk adjusted to reflect current market factors which have not already been captured within the cash flows. In making this adjustment to the Group WACC management have risk adjusted the cost of debt and the cost of equity by using an average of market risk premiums and Company betas at the period end date and a CGU specific risk premium has been applied.

Where fair value has been used this is deemed to be a higher value than a value in use calculation amount. External valuations have been used for this purpose, carried out by Avison Young (UK) Limited, independent Chartered Surveyors. The fair value of property assets held in property, plant and equipment was derived using fair maintainable trade income (FMT) multiplied by an appropriate rate of return (as defined within RICS Valuation – Global Standard) or an equivalent multiple. This method of valuation involves making an assessment of the fair maintainable rent, wholesale and machine income that can be generated from the property assuming they are run by a reasonably efficient operator, taking into account future trading potential. An appropriate multiple is then applied to reflect the risks and rewards of the property. In determining the multiple to use, the valuers consider evidence of comparable market transactions. The resulting fair value of the pub represents the land and buildings and any fixed landlord's fixtures and fittings. The fair value of managed pub assets is prepared using a consistent approach involving the net income attributable to the Group from operating the pub at an appropriate multiple.

All classes of asset, where fair value has been used, are, under IFRS 13, required to be valued at highest and best use. IFRS 13 prescribes that the Group's current use is presumed to be its highest and best value, unless market or other factors suggest that a different use by market participants would maximise the value of the asset. In doing their valuations, the valuers consider whether the asset may have a higher or better feasible use which would be reflected in the fair value where applicable. This is on an asset by asset basis if there are circumstances to indicate that there may be a higher and better use. In the current period the highest and best use of all the property assets in property, plant and equipment and investment property has been assessed as their existing use.

Impairments totalling £70 million (2023: £27 million) and impairment reversals of £12 million (2023: £28 million) were identified within property, plant and equipment.

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

Value in use calculations are most sensitive to forecast cash flow changes, such that if the forecast cash flows were to decrease by 5% the impairment charge would increase by £2 million.

**Notes** *(continued)*

## 14 Impairment testing *(continued)*

### Goodwill

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

| | Operator-led | Stonegate | Total net book value |
|---|---|---|---|
| | £m | £m | £m |
| 25 September 2022 | 17 | 180 | 197 |
| Disposals | - | (2) | (2) |
| Impairment | - | (178) | (178) |
| 24 September 2023 | 17 | - | 17 |
| **29 September 2024** | **17** | **-** | **17** |

Within these segments the goodwill is tested for impairment by comparing the recoverable amount of each segment to the carrying amount. The recoverable amount is the higher of fair value less costs of disposal and value in use. The assumptions and inputs for each segment's goodwill test is set out in the following table. Key assumptions have been assigned values by management using estimates based on past experience and expectations of future changes in the market. These assumptions have been reviewed by the Board and are believed to be reasonable. The key driver to maintaining the growth rate is management's focus on selecting and supporting the best publicans, formats and pub operators, whilst meeting the challenges of changing consumer demand. The discount rate used is based on the Group weighted average cost of capital (WACC) which has been risk adjusted to reflect current market factors which have not already been captured within the cash flows. In making this adjustment to the Group WACC management have risk adjusted the cost of debt and the cost of equity by using an average of market risk premiums and Company betas at the period end date.

In the prior period £178 million of Stonegate impairment was charged driven by lower expected future cashflows and growth rates**.**

| | Operator-led |
|---|---|
| **Basis used for recoverable amount** | Value in use |
| **Forecast period** | Three years |
| **Key assumptions** | - Forecast cash flows |
| **Growth rates** | - 3% for two years<br>(2023: 3%)<br>- 2% in perpetuity<br>(2023: 2%) |
| **Pre-tax discount rate** | 12.1% (2023: 13.0%) |
| **Impairment** | £Nil (2023: £Nil) |
| **Headroom** | £278 million<br>(2023: £218 million) |

### Sensitivity analysis - goodwill

No reasonable changes to the above assumptions would lead to an impairment in the Operator-led cash generating unit.

**Notes** *(continued)*

## 15 Investments in subsidiaries

The Company has the following investments in subsidiaries.

| Name of company | incorporation | shares held | held | business |
|---|---|---|---|---|
| **Held directly by Stonegate Pub Company Limited:** | | | | |
| Stonegate Pub Company Financing Limited | England and Wales | Ordinary | 100% | Dormant |
| Stonegate Property Topco Limited | England and Wales | Ordinary | 100% | Dormant |
| Plato Company 3 Limited | Cayman Islands | Ordinary | 100% | Holding company |
| Hull Propco Limited | England and Wales | Ordinary | 100% | Property company |
| Large Bars Limited | England and Wales | Ordinary | 100% | Operation of licensed bars |
| Falcon Propco 1 Limited | England and Wales | Ordinary | 100% | Property company |
| Intertain Limited | England and Wales | Ordinary | 100% | Holding company |
| Bar Holdings Limited | England and Wales | Ordinary | 100% | Operation of licensed bars |
| Be At One Holdings Limited | England and Wales | Ordinary | 100% | Holding company |
| Leased and Tenanted Pubs 1 Limited | England and Wales | Ordinary | 100% | Financing company |
| Stonegate Pub Company Financing 2019 plc | England and Wales | Ordinary | 100% | Financing company |
| Bar Fever Limited | England and Wales | Ordinary | 100% | Holding company |
| Stonegate Entity A Limited | England and Wales | Ordinary | 100% | Holding company |
| **Held indirectly by Stonegate Pub Company Limited:** | | | | |
| Town and City Pub Group Limited | England and Wales | Ordinary | 100% | Holding company |
| Barley Pub Company Limited | England and Wales | Ordinary | 100% | Operation of licensed bars |
| Hops Pub Company Limited | England and Wales | Ordinary | 100% | Operation of licensed bars |
| Plato Restaurant Holdings Limited | Cayman Islands | Ordinary | 100% | Holding company |
| Bay Restaurant Holdings Limited | Cayman Islands | Ordinary | 100% | Holding company |
| Bay Restaurant Group Limited | England and Wales | Ordinary | 100% | Holding company |
| Slug and Lettuce Company Limited | England and Wales | Ordinary | 100% | Operation of licensed bars |
| Yates Group Pension Trustees Limited | England and Wales | Ordinary | 100% | Dormant |
| Laurel Pension Trustee Company Limited | England and Wales | Ordinary | 100% | Dormant |
| Intertain (Bars) Limited | England and Wales | Ordinary | 100% | Operation of licensed bars |
| Intertain (Bars) II Limited | England and Wales | Ordinary | 100% | Operation of licensed bars |
| Intertain (Bars) III Limited | England and Wales | Ordinary | 100% | Dormant |
| Intertain (Bars) IV Limited | England and Wales | Ordinary | 100% | Dormant |
| Sports Bar And Grill (Canary Wharf) Limited | England and Wales | Ordinary | 100% | Operation of licensed bars |
| Sports Bar And Grill Farringdon Limited | England and Wales | Ordinary | 100% | Operation of licensed bars |
| Sports Bar And Grill Victoria Limited | England and Wales | Ordinary | 100% | Non-trading |
| Sports Bar And Grill Waterloo Limited | England and Wales | Ordinary | 100% | Non-trading |
| Be At One Limited | England and Wales | Ordinary | 100% | Operation of licensed bars |
| Bar Fever (Aylesbury) Ltd | England and Wales | Ordinary | 100% | Non-trading |
| Bar Fever (Barnstaple) Ltd | England and Wales | Ordinary | 100% | Operation of licensed bars |
| Bar Fever (Cannock) Ltd | England and Wales | Ordinary | 100% | Non-trading |
| Bar Fever (Fleet) Ltd | England and Wales | Ordinary | 100% | Non-trading |
| Bar Fever (Isle of Wight) Ltd | England and Wales | Ordinary | 100% | Operation of licensed bars |
| Bar Fever (Lincoln) Ltd | England and Wales | Ordinary | 100% | Operation of licensed bars |
| Barclub (Lincoln) Limited | England and Wales | Ordinary | 100% | Dormant |

**Notes** *(continued)*

## 15 Investments in subsidiaries *(continued)*

| Name of company | Country of incorporation | Class of shares held | Proportion held | Nature of business |
|---|---|---|---|---|
| Bar Fever (Nuneaton) Ltd | England and Wales | Ordinary | 100% | Non-trading |
| Bar Fever (Southend) Ltd | England and Wales | Ordinary | 100% | Operation of licensed bars |
| Bar Fever (Taunton) Ltd | England and Wales | Ordinary | 100% | Non-trading |
| Ei Group Limited | England and Wales | Ordinary | 100% | Ownership of licensed properties |
| Enterprise Inns Limited | England and Wales | Ordinary | 100% | Dormant |
| Gibbs Mew Limited | England and Wales | Ordinary | 100% | Dormant |
| Enterprise Inns Holding Company Limited | England and Wales | Ordinary | 100% | Dormant |
| Bede Holding Company Limited | England and Wales | Ordinary | 100% | Dormant |
| Century Inns Limited | England and Wales | Ordinary | 100% | Dormant |
| Ei Publican Services Limited | England and Wales | Ordinary | 100% | Intermediate supply company |
| Unique Pubs Limited | England and Wales | Ordinary | 100% | Holding company |
| Unique Pub Properties Alpha Limited | England and Wales | Ordinary | 100% | Dormant |
| Unique Pub Properties Beta Limited | England and Wales | Ordinary | 100% | Dormant |
| Unique Pub Properties Gamma Limited | England and Wales | Ordinary | 100% | Dormant |
| Unique Pub Properties Theta Limited | England and Wales | Ordinary | 100% | Dormant |
| Voyager Pub Group Holdings Limited | England and Wales | Ordinary | 100% | Holding company |
| West Midlands Taverns (Holdings) Limited | England and Wales | Ordinary | 100% | Dormant |
| Voyager Pub Group Limited | England and Wales | Ordinary | 100% | Holding company |
| Unique Pub Investments Limited | England and Wales | Ordinary | 100% | Holding company |
| Unique Pub Properties Limited | England and Wales | Ordinary | 100% | Ownership of licensed properties |
| The Unique Pub Finance Company plc | England and Wales | Ordinary | 100% | Financing company |
| | | Cumulative preference shares | 100% | |
| Enterprise Managed Investments Limited | England and Wales | Ordinary | 100% | Holding company |
| Hush Heath Inns Limited | England and Wales | Ordinary | 51% | Operation of licensed bars |
| Old Spot Pub Company Limited | England and Wales | Ordinary | 100% | Non-trading |
| Dirty Liquor Limited | England and Wales | Ordinary | 100% | Non-trading |
| Urban Pubs & Bars 2 Limited | England and Wales | Ordinary | 51% | Operation of licensed bars |
| Bestplace (Beta) Limited | England and Wales | Ordinary | 75% | Operation of licensed bars |
| Bestplace Limited | England and Wales | Ordinary | 51% | Operation of licensed bars |
| Imagegold Limited | England and Wales | Ordinary | 100% | Non-trading |
| Bermondsey Pub Company Limited | England and Wales | Ordinary | 100% | Non-trading |
| The Craft Union Pub Company Limited | England and Wales | Ordinary | 100% | Operation of licensed bars |
| Vixen Pub Company Limited | England and Wales | Ordinary | 100% | Non-trading |
| Six Cheers Limited | England and Wales | Ordinary | 51% | Operation of licensed bars |
| Mash Inns Limited | England and Wales | Ordinary | 51% | Operation of licensed bars |
| Frontier Pubs Limited | England and Wales | Ordinary | 75% | Operation of licensed bars |
| Stonegate Property Midco Limited | England and Wales | Ordinary | 100% | Dormant |
| Stonegate Property (Craft) Limited | England and Wales | Ordinary | 100% | Dormant |
| Stonegate Property (L&T) Limited | England and Wales | Ordinary | 100% | Dormant |
| Leased and Tenanted Pubs 2 Limited | England and Wales | Ordinary | 100% | Ownership of licensed properties |
| Social Cellar Limited | England and Wales | Ordinary | 100% | Ownership of licensed properties |
| Social Cellar (Gamma) Limited | England and Wales | Ordinary | 100% | Ownership of licensed properties |
| Stonegate Entity B Limited | England and Wales | Ordinary | 100% | Holding company |
| Stonegate Entity C Limited | England and Wales | Ordinary | 100% | Financing company |
| Stonegate Entity 1 Limited | England and Wales | Ordinary | 100% | Holding company |
| Stonegate Entity 2 Limited | England and Wales | Ordinary | 100% | Financing company |
| Stonegate Entity 3 Limited | England and Wales | Ordinary | 100% | Property company |

**Notes** *(continued)*

## 16 Deferred tax assets and liabilities

Movement in deferred tax during the period is as follows:

| | **29 September 2024** | 24 September 2023 |
|---|---|---|
| | **£m** | £m |
| At beginning of period | **(115)** | (77) |
| Credited to income statement | **54** | 104 |
| Charged to other comprehensive income | **(35)** | (142) |
| At end of period | **(96)** | (115) |
| Consisting of: | | |
| Deferred tax assets | **239** | 190 |
| Deferred tax liabilities | **(335)** | (305) |
| | **(96)** | (115) |

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

| **Deferred tax assets** | Fair value debt adjustments | Deferred interest deductions | Tax losses | Retirement benefit liabilities | Property, plant and equipment | Total |
|---|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m | £m |
| At 25 September 2022 | 13 | 124 | 16 | 2 | 12 | 167 |
| (Charged) / credited to income statement | (3) | 12 | 5 | - | 9 | 23 |
| At 24 September 2023 | 10 | 136 | 21 | 2 | 21 | 190 |
| (Charged) / credited to income statement | (4) | 6 | 38 | - | 11 | 51 |
| Charged to other comprehensive income | - | - | - | (2) | - | (2) |
| **At 29 September 2024** | **6** | **142** | **59** | **-** | **32** | **239** |

The Directors consider it reasonable to recognise deferred tax assets as the group has recognised deferred tax liabilities in excess of those assets which are expected to unwind in future years.

| **Deferred tax liabilities** | Intangibles | Property, plant and equipment | Total |
|---|---|---|---|
| | £m | £m | £m |
| At 25 September 2022 | 8 | 236 | 244 |
| Credited to income statement | - | (81) | (81) |
| Charged to other comprehensive income | - | 142 | 142 |
| At 24 September 2023 | 8 | 297 | 305 |
| Credited to income statement | 3 | (6) | (3) |
| Charged to other comprehensive income | - | 33 | 33 |
| **At 29 September 2024** | **11** | **324** | **335** |

At the period end the Group had a net deferred tax liability of £96 million (2023: liability of £115 million).

**Notes** *(continued)*

## 17 Inventories

| | **29 September 2024 £m** | 24 September 2023 £m |
|---|---|---|
| Goods held for resale | **21** | 23 |
| | **21** | 23 |

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

The Group recognised £464 million of inventories as an expense included in operating costs before depreciation and amortisation during the period (2023: £463 million).

## 18 Financial assets

| | **24 September 2024** | 25 September 2023 |
|---|---|---|
| Non-current: | **£m** | £m |
| Net investment in sublease | **5** | 5 |
| | **5** | 5 |
| | | |
| Current: | | |
| Net investment in sublease | **1** | 1 |
| | **1** | 1 |

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

## 19 Trade and other receivables

| | **29 September 2024 £m** | 24 September 2023 £m |
|---|---|---|
| Trade receivables | **59** | 52 |
| Amounts due from parent undertakings | **17** | 8 |
| Other receivables | **157** | 19 |
| Prepayments and accrued income | **14** | 14 |
| Current tax receivable | **-** | 3 |
| | **247** | 96 |
| | | |
| Due in more than one year: | | |
| Trade receivables | **2** | 2 |
| Amounts due from group undertakings | **5** | 5 |
| | **7** | 7 |

Included in amounts due from parent undertakings is a balance of £9 million (2023: £1 million) owing from Stonegate Pub Company Pikco Limited, a company incorporated in England and Wales. This relates to certain fees paid by the Company on Stonegate Pub Company Pikco Limited's behalf.

Also included within amounts due from parent undertakings is £8 million (2023: £7 million). This relates to a loan provided on 4 April 2019 to Stonegate Pub Company Holdings Limited, a company incorporated in the Cayman Islands. The loan is repayable on demand and charging annual interest of SONIA +2.50%.

**Notes** *(continued)*

## 19 Trade and other receivables *(continued)*

Included within trade receivables is £2 million (2023: £2 million) due in more than one year which is money owed by the publicans for the sale of fixtures and fittings on deferred terms and part of the balance is due in more than one year.

Included in amounts due from group undertakings is £5 million (2023: £5 million) due in more than one year. On 13 June 2022, Stonegate Pub Company provided a £4 million loan to Stonegate Pub Company Kitchens Limited, a company under common control of the ultimate parent company, Stonegate Pub Company Topco Sarl, a company incorporated in Luxembourg. The loan charges interest at a rate of 8.5% per annum and expires in 2029.

## 20 Trade and other payables

| | **29 September 2024 £m** | 24 September 2023 £m |
|---|---|---|
| Trade payables | **97** | 91 |
| Amounts due to parent undertakings | **2** | 2 |
| Other taxation and social security | **35** | 44 |
| Other payables | **60** | 45 |
| Accruals | **172** | 160 |
| | **366** | 342 |

Included within amounts due to parent undertakings there is £2 million (2023: £2 million) owing to Stonegate Pub Company Midco Limited, the immediate parent company.

## 21 Borrowings

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

| | **29 September 2024 £m** | 24 September 2023 £m |
|---|---|---|
| **Current liabilities** | | |
| Revolving credit facility | **-** | 158 |
| Securitised bonds | **140** | 102 |
| Lease liabilities | **26** | 50 |
| | **166** | 310 |
| | | |
| **Non-current liabilities** | | |
| Revolving credit facility | **98** | - |
| Securitised bonds | **211** | 358 |
| Senior secured notes issued by Stonegate Pub Company Financing 2019 plc | **1,682** | 1,242 |
| Privately placed notes issued by Stonegate Pub Company Financing 2019 plc | **-** | 502 |
| Euro floating rate notes issued by Stonegate Pub Company Financing 2019 plc | **386** | 436 |
| Second lien facility | **-** | 390 |
| PIK second lien facility | **145** | - |
| Portfolio loan - Senior facility | **427** | - |
| Portfolio loan - Mezzanine facility | **195** | - |
| Lease liabilities | **616** | 642 |
| | **3,760** | 3,570 |

**Notes** *(continued)*

## 21 Borrowings *(continued)*

Non-current liabilities include £98 million (2023: £160 million included in current liabilities) drawn down from the Group's revolving credit facility which are shown net of debt issue costs of £nil (2023: £2 million). Interest is charged at SONIA +3% and the facility expires in January 2029.

During the period, on 26 January 2024, the Group completed on a limited recourse financing structure over a portfolio of 1,034 of its freehold pubs in order to raise a principal amount of £638 million. The portfolio comprised 944 leased and tenanted and 90 free-of-tie freehold pubs. The loan matures in January 2029 and accrues interest at SONIA (floored at 2.5%) plus 6.35%, which is cash settled quarterly.

On 29 July 2024 the Group announced that it had launched an offering of £1,645 million aggregate principal amount of 10.75% Senior Secured Notes due 2029 and €470 million aggregate principal amount of Floating Rate Notes due 2029. In addition, the Group issued £37 million aggregate principal amount of 10.75% Senior Secured Notes due 2029 as compensation for certain backstop arrangements. Upon completion on 14 August 2024, the proceeds, along with funds from certain other financing sources as described below, were used to, among others, redeem in entirety the existing £500 million aggregate principal amount of 8.00% Privately Placed Notes due 2025, the £1,235 million aggregate principal amount of 8.25% Senior Secured Notes due 2025 and the €496 million aggregate principal amount of Floating Rate Notes due 2025.

In addition on 14 August 2024 the Group drew in full a new £156 million Second Lien Facility which matures in 2029 and bears interest at SONIA plus 9.375%. This interest is not cash paid and instead capitalised semi-annually. On the same day the Group also purchased and cancelled the existing £400 million Second Lien debt.

Furthermore, on 14 August 2024 the Group extended its Revolving Credit Facility, on the same terms, to January 2029.

With proceeds raised from the transactions described above the Group also, during the period, issued an irrevocable notice to repay the outstanding balance of Class A4 Securitised bonds in full, together with the associated premium. The cash to repay was paid across to the Agent before the period end date, but the holders of the bonds were not repaid in full by the Agent until subsequent to the period end on 30 September 2024. The amount of cash held by the Agent of £134 million is shown as a current other receivable at the period end date on the Group balance sheet.

Terms and debt repayment schedule excluding the revolving credit facility:

| | | Principal outstanding | |
|---|---|---|---|
| | Year of maturity | **29 September 2024 £m** | 24 September 2023 £m |
| Securitised bonds - A4 - 5.659% | 2027 | **140** | 175 |
| Securitised bonds - M - 7.395% | 2024 | **-** | 61 |
| Securitised bonds - N - 6.464% | 2032 | **190** | 190 |
| Senior secured notes - 8.25% | 2025 | **-** | 1,235 |
| Senior secured notes - 10.75% | 2029 | **1,682** | - |
| Privately placed notes - 8.00% | 2025 | **-** | 500 |
| Euro floating rate notes - Euribor + 5.75% | 2025 | **-** | 452 |
| Euro floating rate notes - Euribor + 6.625% | 2029 | **392** | - |
| Second lien facility - SONIA + 8.50% | 2028 | **-** | 400 |
| PIK second lien facility - SONIA + 9.3755% | 2029 | **156** | - |
| Portfolio loan - Senior facility - SONIA +9.3065% | 2029 | **437** | - |
| Portfolio loan - Mezzanine facility - SONIA + 5% | 2029 | **200** | - |
| | | **3,197** | 3,013 |

**Notes** *(continued)*

## 21 Borrowings *(continued)*

Changes in liabilities from financing activities:

| | Loans and borrowings £m | Lease liabilities £m | Total £m |
|---|---|---|---|
| **Balance at 24 September 2023** | 3,188 | 692 | 3,880 |
| **Changes from financing cash flows** | | | |
| Proceeds from loans and borrowings | 1,042 | - | 1,042 |
| Repayment of borrowings | (769) | - | (769) |
| Payment of lease principal | - | (58) | (58) |
| Transaction costs related to loans and borrowings | (97) | - | (97) |
| Interest paid included in cash flows | - | (48) | (48) |
| **Total changes from financing cash flows** | **176** | **(106)** | **70** |
| **Non-cash changes** | | | |
| Loan redemption cash in transit | 140 | - | 140 |
| Lease modifications and re-measurements | - | 8 | 8 |
| Amortisation of fair value on securitised bonds | (16) | - | (16) |
| Interest expense included in finance costs | - | 48 | 48 |
| Transaction costs accrued | (25) | | (25) |
| Debt modifications and amortisation | 111 | - | 111 |
| Foreign exchange gain | (40) | - | (40) |
| Loan cancelled | (250) | - | (250) |
| **Total non-cash changes** | **(80)** | **56** | **(24)** |
| **Balance at 29 September 2024** | **3,284** | **642** | **3,926** |

| | Loans and borrowings £m | Lease liabilities £m | Total £m |
|---|---|---|---|
| **Balance at 25 September 2022** | 3,228 | 722 | 3,950 |
| **Changes from financing cash flows** | | | |
| Proceeds from loans and borrowings | 429 | - | 429 |
| Repayment of borrowings | (447) | - | (447) |
| Payment of lease principal | - | (33) | (33) |
| Transaction costs related to loans and borrowings | (3) | - | (3) |
| Interest paid included in cash flows | (266) | (48) | (314) |
| **Total changes from financing cash flows** | **(287)** | **(81)** | **(368)** |
| **Non-cash changes** | | | |
| Lease modifications and re-measurements | - | 3 | 3 |
| Amortisation of fair value on securitised bonds | (13) | - | (13) |
| Interest expense included in finance costs | 266 | 48 | 314 |
| Debt modifications and amortisation | (6) | - | (6) |
| **Total non-cash changes** | **247** | **51** | **298** |
| **Balance at 24 September 2023** | **3,188** | **692** | **3,880** |

**Notes** *(continued)*

## 22 Financial instruments

### Fair values of financial instruments

Set out in the table below are the carrying values and fair values of all of the Group's financial instruments at 29 September 2024 and 24 September 2023.

| | Fair value | | Carrying value | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **£m** | £m | **£m** | £m |
| **Financial assets - loans and receivables** | | | | |
| Trade receivables | **61** | 54 | **61** | 54 |
| Other receivables | **157** | 19 | **157** | 19 |
| Amounts due from group undertakings | **17** | 8 | **17** | 8 |
| Cash and cash equivalents | **171** | 92 | **171** | 92 |
| Interest rate swaps | **-** | - | **-** | - |
| | **406** | 173 | **406** | 173 |
| **Financial liabilities** | | | | |
| Trade payables | **97** | 91 | **97** | 91 |
| Other payables | **60** | 45 | **60** | 45 |
| Amounts due to group undertakings | **2** | 2 | **2** | 2 |
| Interest rate swaps | **17** | 24 | **17** | 24 |
| Securitised bonds - A4 | **139** | 172 | **140** | 183 |
| Securitised bonds - M | **-** | 60 | **-** | 62 |
| Securitised bonds - N | **198** | 183 | **211** | 215 |
| Senior secured notes due 2025 | **-** | 1,144 | **-** | 1,242 |
| Senior secured notes due 2029 | **1,736** | - | **1,682** | - |
| Privately placed notes | **-** | 458 | **-** | 502 |
| Euro floating rate notes due 2025 | **-** | 426 | **-** | 436 |
| Euro floating rate notes due 2029 | **400** | - | **386** | - |
| Second lien facility | **-** | 390 | **-** | 390 |
| PIK second lien facility | **145** | - | **145** | - |
| Portfolio loan - Senior facility | **427** | - | **427** | - |
| Portfolio loan - Mezzanine facility | **195** | - | **195** | - |
| Bank loans and overdrafts | **98** | 158 | **98** | 158 |
| Lease liabilities | **642** | 692 | **642** | 692 |
| | **4,156** | 3,845 | **4,102** | 4,042 |

The following assumptions were used to estimate the fair values:

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

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

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

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

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

Lease liabilities – the fair value of obligations under lease liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

Derivatives – these are carried at fair value.

**Notes** *(continued)*

## 22 Financial instruments *(continued)*

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

### Fair value hierarchy

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

The classification uses the following three-level hierarchy:

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

The fair values of the senior secured notes; privately places notes and euro floating rate notes are measured at market price and are therefore evaluated to be level 1 in the fair value hierarchy. The fair value of the Group's securitised bonds; second lien facility and bank loans and overdrafts are deemed to be level 2 in the fair value hierarchy. All other financial instruments carried at fair value have been measured by a level 2 valuation method.

### Derivative financial instruments

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

| | **29 September 2024 £m** | 24 September 2023 £m |
|---|---|---|
| **Cross currency interest rate swaps** | | |
| Non-current liabilities | **17** | 24 |
| | **17** | 24 |

As part of the refinancing event during the period the Group terminated the existing swaps and entered into three new cross currency interest rate swaps in relation to the new Euro Floating Rate Notes. These swaps replace EURIBOR with a rate denominated in sterling and with reference to SONIA and expire in August 2027.

The Group also entered an interest rate swap in relation to the portfolio loan. The swap relates to £478 million of these borrowings and replaces the floating SONIA rate with which the interest is calculated to a fixed rate of 5.0%. This expires January 2026.

The Group has chosen not to apply hedge accounting for its interest rate swap given the additional costs of meeting the extensive documentation requirements of IFRS 9. Consequently, movements in fair value are recognised in the income statement.

**Notes** *(continued)*

## 22 Financial instruments *(continued)*

### Capital risk management

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

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

### Liquidity risk

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

| At 29 September 2024 | Within 1 year £m | 1-2 years £m | 2-5 years £m | > 5 years £m | Total £m |
|---|---|---|---|---|---|
| **Interest-bearing loans and borrowings** | | | | | |
| **- capital** | **140** | **-** | **2,956** | **101** | **3,197** |
| **- interest** | **335** | **335** | **354** | **247** | **1,271** |
| **- cross currency interest rate swaps** | **-** | **-** | **17** | **-** | **17** |
| **Revolving credit facility** | **-** | **-** | **98** | **-** | **98** |
| **Trade payables** | **97** | **-** | **-** | **-** | **97** |
| **Other payables** | **60** | **-** | **-** | **-** | **60** |
| | **632** | **335** | **3,425** | **348** | **4,740** |

| At 24 September 2023 | £m | £m | £m | £m | £m |
|---|---|---|---|---|---|
| Interest-bearing loans and borrowings | | | | | |
| - capital | 94 | 2,235 | 533 | 151 | 3,013 |
| - interest | 276 | 266 | 201 | 20 | 763 |
| - cross currency interest rate swaps | - | 24 | - | - | 24 |
| Revolving credit facility | 158 | - | - | - | 158 |
| Trade payables | 91 | - | - | - | 91 |
| Other payables | 45 | - | - | - | 45 |
| | 664 | 2,525 | 734 | 171 | 4,094 |

**Notes** *(continued)*

## 22 Financial instruments *(continued)*

**Interest rate risk**

The Group finances its operations through a mixture of trading cash, bank overdraft facilities and fixed and floating secured loan notes and bonds. The Group's objective is to manage exposure within acceptable tolerances to changes in interest rates. This exposure is managed by borrowing at fixed rates for a large proportion of its debt, being the Securitised Bonds and the Senior Secured Notes.

At the balance sheet date the Group's variable rate instruments comprised Euro Floating Rate Notes, Portfolio loans and the Second lien debt. The Group manages the impact of interest rate fluctuations on the Portfolio loans by using cross currency interest rate swaps to manage exposure and replace the floating rate with a fixed rate of interest. The Group monitors and reviews interest rate risk exposure on the Euro Floating Rate Notes and the Second lien facility, and will look to establish additional swaps if necessary. The Group also faces interest rate risk from its revolving credit facility but due to the nature of short-term drawings any interest rate risk is considered to be minimal.

The Group therefore predominately faces interest rate risk from the Euro Floating Rate Notes and the Second lien facility. A 1% interest rate increase would result in an increase to interest charged to the income statement of £6 million (2023: £4 million) and a corresponding decrease in equity. This is assuming the liability outstanding at the balance sheet date was outstanding for the whole period.

**Security**

The Revolving Credit Facility; Senior Secured Notes; Euro Floating Rate Notes and Second lien facility borrowings are governed by debentures pursuant to English law incorporating customary fixed and floating charge security over the assets of the charging companies being Stonegate Pub Company Limited and certain of its subsidiaries, deemed the Restricted Group, and Cayman Islands law governed equitable share mortgages over the shares of Stonegate Pub Company Limited and certain other members of the Restricted Group incorporated under the laws of the Cayman Islands.

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

In addition the Portfolio loan companies, comprising Stonegate Entity A Limited and its subsidiaries, sit outside of the Restricted Group as their assets are secured by way of fixed charge for the benefit of their debt holders.

The total value of assets within the Group secured by way of a fixed or floating charge as at 29 September 2024 is property, plant and equipment £3,618 million (2023: £3,555 million), investment property £220 million (2023: £217 million) and non-current assets held for sale £57 million (2023: £31 million).

**Notes** *(continued)*

## 22 Financial instruments *(continued)*

### Covenants

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

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

The third covenant is a Net Debt : EBITDA ratio in relation to the Portfolio loans. This covenant only requires to be tested from May 2026.

The final covenant relates to the RCF. This comprises a Consolidated Net Leverage Ratio that is tested quarterly whilst the RCF is more than 40% drawn. The Group met this covenant during the year. At the period end £98 million of the RCF was drawn and due to be repaid or rolled within one month and therefore the Consolidated Net Leverage Ratio did not require testing. At 24 September 2023 £160 million of the RCF was drawn and due to be repaid or rolled within one month. Throughout the prior period at the quarterly testing dates the amount drawn was below the 40% testing threshold therefore no covenant test was required and the amount was included in non-current liabilities.

### Currency risk

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

### Credit risk

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

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

| | **29 September 2024 £m** | 24 September 2023 £m |
|---|---|---|
| Not past due | **38** | 39 |
| 0-30 days past due | **6** | 3 |
| 31-60 days past due | **2** | 1 |
| 61-90 days past due | **1** | 1 |
| Greater than 90 days past due | **12** | 8 |
| | **59** | 52 |

**Notes** *(continued)*

## 22 Financial instruments *(continued)*

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

| | **29 September 2024 £m** | 24 September 2023 £m |
|---|---|---|
| Provision as at 24 September 2023 | **8** | 5 |
| Increase in provision during the year | **5** | 5 |
| Provision released during the year | **(3)** | (2) |
| **Provision as at 29 September 2024** | **10** | 8 |

## 23 Provisions

| | Onerous site costs £m | Health and safety claims £m | Total £m |
|---|---|---|---|
| At 24 September 2023 | 1 | 4 | 5 |
| Utilised | - | (3) | (3) |
| **At 29 September 2024** | **1** | **1** | **2** |

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

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

**Notes** *(continued)*

## 24 Share capital and Other Reserves

| | 29 September 2024 £m | 24 September 2023 £m |
|---|---|---|
| **Called up, allotted and fully paid:** | | |
| 531,910,482 (2023: 526,910,482) ordinary shares of £0.01 each | **5** | 5 |

***Ordinary shares***

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

***Share premium***

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

***Revaluation reserve***

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

***Capital contribution reserve***

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

## 25 Commitments

***Capital commitments***

Capital commitments for property, plant and equipment:

| | 29 September 2024 £m | 24 September 2023 £m |
|---|---|---|
| Contracted but not provided | **5** | 12 |

**Notes** *(continued)*

## 26 Leases

### Leases as a lessee

*Impacts for the period*

The Group follows the same basis of categorisation to both free hold property and leasehold property to determine where to present assets on the balance sheet and therefore right of use assets are recognised in investment property, non-current assets held for sale and property, plant and equipment depending on the type of sub lease (where it is sub let) or the commitment to dispose of the property/lease. The following table sets out the movement in the Group's right-of-use assets during the period and the carrying value at 29 September 2024:

| | | Non-current | | | |
|---|---|---|---|---|---|
| | Investment | assets held | Property, plant and equipment | | |
| | property | for sale | Property | Vehicles | Total |
| **Right-of-use-assets** | **£m** | **£m** | **£m** | **£m** | **£m** |
| At 25 September 2022 | 31 | 3 | 763 | 3 | 800 |
| Modifications | - | - | 14 | - | 14 |
| Depreciation charge for the period | - | - | (56) | (1) | (57) |
| Impairment | - | - | (3) | - | (3) |
| Impairment reversal | 3 | - | 25 | - | 28 |
| Derecognition | (3) | - | (8) | - | (11) |
| Transfers | 11 | (2) | (9) | - | - |
| At 24 September 2023 | 42 | 1 | 726 | 2 | 771 |
| Additions | 2 | - | 6 | - | 8 |
| Depreciation charge for the period | - | - | (54) | (1) | (55) |
| Impairment | (2) | - | (70) | - | (72) |
| Impairment reversal | - | - | 12 | - | 12 |
| Reclassification | - | - | (14) | - | (14) |
| Derecognition | (2) | - | (7) | - | (9) |
| Transfers | 6 | - | (6) | - | - |
| **At 29 September 2024** | **46** | **1** | **593** | **1** | **641** |

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

| | **2024** | 2023 |
|---|---|---|
| | **53 weeks** | 52 weeks |
| Leases under IFRS 16 | **£m** | £m |
| Interest expense on lease liabilities | **48** | 48 |
| Depreciation of right of use assets | **55** | 57 |
| Impairment of right of use assets | **72** | 3 |
| Impairment reversal of right of use assets | **(12)** | (28) |
| Expenses relating to leases of low-value assets | **1** | 1 |
| Variable lease payments | **1** | 1 |

**Notes** *(continued)*

**26 Leases** *(continued)*

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

| | 2024<br>53 weeks<br>£m | 2023<br>52 weeks<br>£m |
|---|---|---|
| Interest payments | **48** | 48 |
| Principal payments | **58** | 33 |
| Total cash outflow for leases | **106** | 81 |

In relation to those leases under IFRS 16, for the 53 weeks ending 29 September 2024, the Group's operating profit metric improved by £29 million (2023: £21 million) as the new depreciation expense is lower than the IAS 17 operating lease charge; however net finance costs are higher than this, at £48 million (2023: £48 million), such that net profit after tax is lower (2023: lower) compared to the previous IAS 17 reporting basis. Operating profit before depreciation, amortisation, impairment and loss on sale of non-current assets is higher (2023: higher) compared to the previous IAS 17 reporting basis.

**Leases as a lessor**

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

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

| | 29 September<br>2024<br>£m | 25 September<br>2023<br>£m |
|---|---|---|
| Less than one year | **1** | 1 |
| In more than one year and less than two years | **1** | 1 |
| Between two and five years | **2** | 2 |
| More than five years | **5** | 5 |
| | **9** | 9 |
| Future finance cost | **(3)** | (3) |
| | **6** | 6 |
| Recognised as: | | |
| Non current financial asset | **5** | 5 |
| Current financial asset | **1** | 1 |

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

| | 29 September<br>2024<br>£m | 24 September<br>2023<br>£m |
|---|---|---|
| Less than one year | **93** | 89 |
| In more than one year and less than two years | **78** | 72 |
| Between two and five years | **172** | 158 |
| More than five years | **226** | 220 |
| **Total undiscounted lease receivable** | **569** | 539 |

**Notes** *(continued)*

## 27 Retirement benefits

***Defined contribution pension schemes***

The Group operates three defined contribution stakeholder schemes for certain employees. The pension cost charge for the period represents contributions payable by the Group to the schemes and amounted to £6 million (2023: £7 million) At the period end the Group had outstanding contributions payable to the schemes of £1 million (2023: £1 million).

***Defined benefit pension schemes***

On 21 June 2011, as part of the Plato Company 3 acquisition the Group acquired two defined benefit schemes, the Laurel Pub Pension scheme and the Yates Group Pension scheme, which are closed to new members and closed to further accruals for existing members. The assets of the schemes are held in single, separate trustee administered funds.

A full actuarial valuation for the Laurel Pub Pension scheme was carried out as at 28 February 2023. For the purposes of IAS19 the actuarial valuation as at 29 February 2024, which was carried out by a qualified independent actuary, has been updated on an approximate basis to 29 September 2024.

A full actuarial valuation for the Yates Group Pension scheme was carried out as at 28 February 2023. For the purposes of IAS19 the actuarial valuation as at 29 February 2024, which was carried out by a qualified independent actuary, has been updated on an approximate basis to 29 September 2024.

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

The amounts recognised in the balance sheet are as follows:

| | **29 September 2024** | 24 September 2023 |
|---|---|---|
| **Laurel Pub Pension scheme** | **£m** | £m |
| Fair value of plan assets | **62** | 61 |
| Present value of defined benefit obligation | **(50)** | (51) |
| Liability in the scheme | **12** | 10 |
| Effect of asset ceiling | **(12)** | (18) |
| **Net retirement benefit liability recognised in the balance sheet** | **-** | (8) |
| | | |
| **Yates Group Pension scheme** | **£m** | £m |
| Fair value of plan assets | **11** | 11 |
| Present value of defined benefit obligation | **(10)** | (10) |
| Surplus in the scheme | **1** | 1 |
| Effect of asset ceiling | **-** | - |
| **Net retirement benefit surplus recognised in the balance sheet** | **1** | 1 |
| **Total net retirement benefit recognised in the balance sheet** | **1** | (7) |

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

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

**Notes** *(continued)*

## 27 Retirement benefits *(continued)*

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

| | **29 September 2024** | 24 September 2023 |
|---|---|---|
| **Laurel Pub Pension scheme** | **£m** | £m |
| Present value of scheme liabilities at beginning of period | **51** | 57 |
| Expenses | **-** | - |
| Interest cost | **3** | 3 |
| Actuarial losses | **(1)** | (3) |
| Benefits paid | **(3)** | (4) |
| Past service costs | **-** | (2) |
| **Present value of scheme liabilities at end of period** | **50** | 51 |
| | | |
| **Yates Group Pension scheme** | **£m** | £m |
| Present value of scheme liabilities at beginning of period | **10** | 10 |
| Expenses | **-** | - |
| Interest cost | **1** | 1 |
| Actuarial losses | **-** | - |
| Benefits paid | **(1)** | (1) |
| Past service costs | **-** | - |
| **Present value of scheme liabilities at end of period** | **10** | 10 |
| **Total present value of scheme liabilities at end of period** | **60** | 61 |

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

| | **29 September 2024** | 24 September 2023 |
|---|---|---|
| **Laurel Pub Pension scheme** | **£m** | £m |
| Fair value of scheme assets at beginning of period | **61** | 65 |
| Interest income | **4** | 3 |
| Return on plan assets excluding interest income | **-** | (6) |
| Contributions paid by employer | - | 3 |
| Benefits paid | **(3)** | (4) |
| **Fair value of scheme assets at end of period** | **62** | 61 |
| | | |
| **Yates Group Pension scheme** | **£m** | £m |
| Fair value of scheme assets at beginning of period | **11** | 11 |
| Interest income | **1** | 1 |
| Return on plan assets excluding interest income | **-** | - |
| Contributions paid by employer | **-** | - |
| Benefits paid | **(1)** | (1) |
| **Fair value of scheme assets at end of period** | **11** | 11 |
| **Total fair value of scheme assets at end of period** | **73** | 72 |

**Notes** *(continued)*

## 27 Retirement benefits *(continued)*

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

| | **2024** | 2023 |
|---|---|---|
| | **53 weeks** | 52 weeks |
| **Laurel Pub Pension scheme** | **£m** | £m |
| Past service costs | **-** | (2) |
| Interest income | **1** | - |
| Expenses | **-** | - |
| **Net cost** | **1** | (2) |
| **Yates Group Pension scheme** | **£m** | £m |
| Past service costs | **-** | - |
| Interest income | **-** | - |
| Expenses | **-** | - |
| **Net income** | **-** | - |
| **Total net cost** | **1** | (2) |

Analysis of amounts recognised in the SOCI in the period:

| | **2024** | 2023 |
|---|---|---|
| | **53 weeks** | 52 weeks |
| **Laurel Pub Pension scheme** | **£m** | £m |
| Return on plan assets excluding interest income | **-** | (6) |
| Experience gains | **-** | 1 |
| Effects of changes in demographic assumptions | **(1)** | - |
| Effects of changes in financial assumptions | **1** | 1 |
| Effect of asset ceiling | **8** | 1 |
| **Re-measurement losses recognised in the SOCI** | **8** | (3) |
| **Yates Group Pension scheme** | **£m** | £m |
| Return on plan assets excluding interest income | **-** | - |
| Experience gains | **-** | - |
| Effects of changes in demographic assumptions | **-** | - |
| Effects of changes in financial assumptions | **-** | - |
| **Re-measurement gains recognised in the SOCI** | **-** | - |
| **Total re-measurement losses recognised in the SOCI** | **8** | (3) |

Cumulative amounts recognised in the SOCI:

| | **29 September** | 24 September |
|---|---|---|
| | **2024** | 2023 |
| | **£m** | £m |
| At beginning of period | **(28)** | (25) |
| Re-measurement losses in the period | **8** | (3) |
| **At end of period** | **(20)** | (28) |

**Notes** *(continued)*

## 27 Retirement benefits *(continued)*

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

| Laurel Pub Pension scheme | **2024 £m** | 2023 £m | 2022 £m | 2021 £m | 2020 £m |
|---|---|---|---|---|---|
| Present value of retirement benefit liabilities | **(50)** | (51) | (57) | (92) | (93) |
| Fair value of plan assets | **62** | 61 | 65 | 98 | 86 |
| Net asset / (liability) in the scheme | **12** | 10 | 8 | 6 | (7) |
| Experience adjustment on scheme liabilities | **(1)** | (3) | (35) | 4 | - |
| Percentage of scheme liabilities | **2.0%** | 5.9% | 61.4% | (4.3)% | 0.5% |
| Experience adjustments on scheme assets | **-** | (6) | (36) | 12 | (3) |
| Percentage of scheme assets | **(0.0)%** | (9.8)% | (55.4)% | 12.2% | (3.5)% |
| **Yates Group Pension scheme** | **£m** | £m | £m | £m | £m |
| Present value of retirement benefit liabilities | **(10)** | (10) | (10) | (14) | (13) |
| Fair value of plan assets | **11** | 11 | 11 | 15 | 14 |
| Net asset in the scheme | **1** | 1 | 1 | 1 | 1 |
| Experience adjustment on scheme liabilities | **-** | - | (3) | 2 | - |
| Percentage of scheme liabilities | **0.0%** | **0.0%** | 30.0% | (14.3)% | 0.4% |
| Experience adjustments on scheme assets | **-** | **-** | (4) | 1 | - |
| Percentage of scheme assets | **0.0%** | **0.0%** | (36.4)% | 6.7% | (1.7)% |

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

| | **29 September 2024** | 24 September 2023 |
|---|---|---|
| **Laurel Pub Pension Scheme** | | |
| Male retiring in 2024 (2023: 2023) | **20.5 years** | 20.5 years |
| Female retiring in 2024 (2023: 2023) | **22.5 years** | 22.4 years |
| Male retiring in 2049 (2023: 2048) | **22.2 years** | 22.2 years |
| Female retiring in 2049 (2023: 2048) | **24.3 years** | 24.3 years |
| **Yates Group Pension Scheme** | | |
| Male retiring in 2023 2024 (2023: 2023) | **21.4 years** | 21.4 years |
| Female retiring in 2024 (2023: 2023) | **24.2 years** | 24.1 years |
| Male retiring in 2049 (2023: 2048) | **23.1 years** | 23.1 years |
| Female retiring in 2049 (2023: 2048) | **26.0 years** | 26.0 years |

**Notes** *(continued)*

## 27 Retirement benefits *(continued)*

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

| | **29 September 2024** | 24 September 2023 |
|---|---|---|
| **Laurel Pub Pension Scheme** | | |
| Discount rate | **5.1%** | 5.4% |
| Rate of increase in pension payment | **2.7%** | 2.7% |
| Inflation (RPI) | **3.0%** | 3.2% |
| Inflation (CPI) | **2.7%** | 2.8% |
| **Yates Group Pension Scheme** | | |
| Discount rate | **5.0%** | 5.4% |
| Rate of increase in pension payment | **2.8%** | 2.8% |
| Inflation (RPI) | **3.1%** | 3.3% |
| Inflation (CPI) | **2.8%** | 2.9% |

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

| | **2024 £m** | 2023 £m |
|---|---|---|
| **Laurel Pub Pension Scheme** | | |
| Equities | **2** | 5 |
| Bonds | **57** | 38 |
| Cash | **3** | 14 |
| Real estate | **-** | 4 |
| Fair value of plan assets | **62** | 61 |
| Actual return on plan assets | **4** | (3) |
| **Yates Group Pension Scheme** | | |
| Equities | **1** | 1 |
| Bonds | **10** | 9 |
| Cash | **-** | 1 |
| Other | **-** | - |
| Fair value of plan assets | **11** | 11 |
| Actual return on plan assets | **1** | 1 |

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

| | | Impact on scheme liabilities | |
|---|---|---|---|
| | | **29 September 2024** | 24 September 2023 |
| | Change in assumption | **£000** | £000 |
| **Laurel Pub Pension Scheme** | | | |
| Discount rate | Increase of 0.5% p.a. | **(47)** | (47) |
| Rate of inflation | Increase of 0.25% p.a. | **51** | 52 |
| Rate of mortality | Increase in life expectancy of 1 year | **51** | 52 |
| **Yates Group Pension Scheme** | | | |
| Discount rate | Increase of 0.5% p.a. | **(10)** | (10) |
| Rate of inflation | Increase of 0.25% p.a. | **10** | 10 |
| Rate of mortality | Increase in life expectancy of 1 year | **11** | 10 |

**Notes** *(continued)*

### 27 Retirement benefits *(continued)*

The sensitivities shown above are approximate. Each sensitivity considers one change in isolation. The inflation sensitivity includes the impact of changes to the assumptions for revaluation and pension increases. The average duration of the defined benefit obligation at the period ending 29 September 2024 is 14 years for the Laurel Pub Pension scheme (2023: 14 years) and 11 years for the Yates Group Pension scheme (2023: 10 years).

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

### 28 Related party transactions

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

*Transactions with senior management personnel*

Senior management comprises the executive directors and management board. The senior management personnel compensation is as follows:

| | **2024** | 2023 |
|---|---|---|
| | **53 weeks** | 52 weeks |
| | **£m** | £m |
| Salaries and short-term employee benefits | **6** | 5 |
| Post-employment pension benefits | **-** | - |
| Equity settled share based payment expense | **1** | 1 |
| | **7** | 6 |

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

*Other related party transactions*

Included in amounts due from parent undertakings is a balance of £9 million owing from Stonegate Pub Company Pikco Limited, a parent undertaking (2023: £1 million).

There is an amount of £2 million (2023: £2 million) owing to Stonegate Pub Company Midco Limited, the immediate parent company, at 29 September 2024, which is included in trade and other payables.

During the period the Group was invoiced management charges of £1 million (2023: £2 million) by TDR Capital LLP. The amount outstanding at 29 September 2024 was £Nil (2023: £Nil).

The Group also operated a handful of public houses on behalf of entities affiliated with investment funds managed by TDR Capital LLP, known as Cubitt House Limited. The balance owing as a result of transactions on its behalf at 29 September 2024 was £102,000 (2023: £47,000).

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 £8 million is included in trade and other receivables (2023: £7 million).

Included in amounts due from group undertakings is £5 million (2023: £5 million) due in more than one year. On 13 June 2022, Stonegate Pub Company provided a £4 million loan to Stonegate Pub Company Kitchens Limited, a company under common control of the ultimate parent company, Stonegate Pub Company Topco Sarl, a company incorporated in Luxembourg. The loan charges interest at a rate of 8.5% and expires in 2029.

**Notes** *(continued)*

## 29 Management Incentive Plan

During the period ended 29 September 2019; the Group established a management incentive plan to reward certain employees, including directors and managers, for their future service. Under the plan those employees will realise a gain only if there is a growth in the equity value of the business (subject to certain 'ratchets') and only if an exit event occurs. The award has been classified as equity-settled. An exit event would occur either upon an initial public offering of the Stonegate group ('IPO') or some other form of sale (e.g. to a trade buyer). The fair value of the scheme at grant date was not considered to be material.

On 8 January 2021 the scheme was replaced with a new management incentive plan so that it also included certain legacy EIG employees and new Stonegate employees, alongside a change to the quantum of returns at an exit event following the acquisition of EI Group. The scheme is operated by the Group's ultimate owners and was established through subscription to shares in the Group's parent company, Stonegate Pub Company Holdings Limited. No dividends will accrue under this award.

There is inherent uncertainty in determining a suitable vesting period given that an exit event, whilst within the control of the Group's ultimate owners, may not happen for many years if at all. However, for the purposes of considering the impact of IFRS 2, the Directors have used a vesting period of five years. As a result, a charge of £1 million (2023: £1 million) has been recognised as an equity settled share based payment expense in the income statement.

There are no other share based payment schemes.

## 30 Ultimate parent undertaking

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

## 31 Post balance sheet events

Subsequent to the period end on 30 September 2024, the outstanding Class A4 Securitised bonds were repaid in full. During the period on 27 September 2024, the Group settled its liabilities to the Agent for this repayment, so has recognised the cash outflow within the Group cash flow and is holding a debtor on its Balance Sheet for the amount held by the Agent and waiting to be settled to bondholders.