GREENE KING LIMITED

ANNUAL REPORT AND FINANCIAL
STATEMENTS

FOR THE 52 WEEKS ENDED 1 JANUARY 2023

REGISTERED NUMBER: 00024511

COMPANY INFORMATION

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GREENE KING LIMITED

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STRATEGIC REPORT

GREENE KING DELIVERS STRONG OPERATIONAL AND FINANCIAL PERFORMANCE AS STRATEGIC PROGRESS CONTINUES

Financial highlights

- The group delivered a strong financial performance against a challenging consumer and wider macroeconomic backdrop
  - This performance was driven by strategic delivery and business transformation
  - The group saw a recovery in sales, including in London, with trade returning to pre-pandemic levels by spring as Covid-19 restrictions lifted
  - The cost-of-living crisis meant that customer confidence remained depressed throughout the year
  - The Platinum Jubilee weekend, Women's Football Euros, and Men's Football World Cup drove event-led demand
  - The implementation of proactive measures reduced the impact of inflationary pressures and supply chain disruption on the business, including successful energy hedging and focussing on cost efficiencies
  - The group remained focused on delivering value and choice to customers against the inflationary backdrop, including adapting menus
- Group revenue increased 62.2% to £2,176m (prior period: £1,342m) with revenue growth across all five divisions
- Adjusted operating profit[1] of £192.6m (prior period: £18.6m) was delivered, with statutory operating profit of £249.2m (prior period: £63.8m)
- Capex and business acquisitions of £242.3m (prior period: £144.5m) reflect a period of increased investment across the business
- The group continued to be cash generative from operating activities, with free cash flow of £13.1m in the year (prior period: £7.2m) after significant investment
- Successfully refinanced the group's balance sheet by £915m, and repaid the A5 Spirit debenture and A5 Greene King securitisation bonds to maximise the strength and flexibility of the balance sheet and maintain the business's robust capital structure

Operational highlights

- Achieved significant progress against all the group's key strategy drivers during the period, which are: Brands, Culture, People, Operational Excellence, Digital, Assets and Expand, and added an eighth driver: Environment and Social
- The roll-out of proven brands continued during the year, coupled with the trialling of new formats and select acquisitions to expand and optimise the portfolio, including:
  - An investment in **Hickory's**, a successful regional American-style Smokehouse brand with a significant opportunity for nationwide expansion
  - The targeted purchases of sites across the country, including premium Scottish restaurant **Ubiquitous Chip** by Metropolitan Pub Company
  - The creation of **Venture Hotels** consisting of a collection of 39 hotels which previously traded within Destination Food Brands
  - Within **Local Pubs,** the completion of 14 core investments in the year to establish the platform for scaled investments across 2023 - in total 105 sites benefited from capital investment in the year
  - Despite a challenging period for **Destination Food Brands**, a further 80 sites benefited from capital investment in the year with a big focus on gardens
  - A total of 43 sites across our **Premium, Urban and Ventures** estate were invested in, including seven sites transferred in from other areas of our business to optimise the trading format
  - Growing **Hive Pubs,** the community pub model operated by franchisees grew to 28 sites
  - Launching **new premium beer brands**: Flint Eye and Level Head, which are now available in pubs across the UK and in off-trade
- Implementation of a step change in digital capabilities is ongoing, including investing £11.2m in starting to bring higher quality WiFi to all the group's pubs
- Announced a significant investment in Bury St Edmunds with plans for a 160,708 sq ft distribution depot for Brewing & Brands, which is due to open in summer 2023
- Awarded Best Pub Employer (501+ employees) and Best Leased & Tenanted Pub Company (501+ sites) at the 2023 Publican Awards – the pub industry's biggest awards event
- Continued to support our 38,600 team members throughout the year
  - Launched the Team Member Support Scheme providing one-off grants of up to £5,000 to help our team members most in need
  - Expanded our industry-leading apprenticeship programme with 1,173 additional individuals joining the scheme, which includes offering apprenticeships for prisoners for the first time
  - Our team member engagement survey showed 'sustainable engagement' increased to 84%, a significant improvement from 79% previously, with a material reduction in employee turnover

Environmental, Social, and Governance

- The group added Environment and Social as a strategy driver during the year, reflecting our increased commitment to putting environment and social purpose at the heart of the business
- Established a governance structure that underpins our ESG programme, including a dedicated Board
- Launched our 'Untapping Potential' social mobility report, pledging commitments to:
  - Support 5,000 new apprentices by 2025
  - Recruit 300 prison leavers into roles by 2025 through Releasing Potential programme

1. Adjusted measures exclude the impact of adjusting items, for details see APMs on page 101.

    - Support 100 interns with Special education Needs
    - Establish the first Greene King training kitchen within HMP Thameside
- As part of our culture programme, we continued to improve inclusion and diversity across the business, creating four Employee Led Inclusion Groups sponsored by an Executive Board director, representing or as allies of race diversity, women, LGBTQ+ and disability
- Record breaking £3m fundraising achieved in the 10th year in partnership with Macmillan Cancer Support, with the business becoming the largest corporate fund raiser for Macmillan
- Completed the mapping of our carbon footprint and set a near-term target of 50% reduction of greenhouse gas emissions across scopes 1,2 and 3 by 2030 through the Science Based Target Initiative (SBTi) and we publicly committed to a net zero target by 2040

Looking ahead – focus on driving future growth

- Greene King remains confident in its ability to continue to deliver outstanding customer experiences through its balanced portfolio of compelling, profitable brands
- We expect 2023 to be another year of significant investment focused on the continued optimisation of the core estate, improving digital capability, operational efficiency, and further progress in delivering our environmental and social commitments
- Whilst early in the year our capital investment programme remains on track
- We remain mindful of the significant cost pressures impacting both consumers and our business and we expect the tough environment to persist through the year
- As previously announced, Greene King has realigned its group divisional structure for FY23, supporting its long-term brand structure, simplifying the business, and enabling the continued development of the Ventures and franchise businesses
    - Moving from five divisions to four: Greene King pubs, Destination Brands, Partnerships & Ventures, and Brewing & Brands

Nick Mackenzie, Greene King chief executive officer, said:

"Greene King delivered a strong operational and financial performance during 2022 despite the challenging macroeconomic backdrop with progress made in all our businesses. This was only made possible by our hardworking and committed team members and tenants, who I would like to thank. We also continued to invest in the business, which meant we made important strategic progress, particularly in new format and brand developments, targeted acquisitions and through driving our cultural transformation.

Looking ahead, we expect the tough backdrop to continue, and we have planned for this. We now have a stronger platform to deliver sustainable growth against a strategy that is working and with a strong balance sheet. By focusing on the things we can control and supporting our team members and customers, we will continue to do what Greene King does so well, playing a meaningful role in supporting the communities we serve and leading the way in making our industry a better place to work."

PERFORMANCE SUMMARY

	FY22 52 weeks Ended 01/01/23			FY21 52 weeks Ended 02/01/22		
	Revenue £m	Adjusted operating profit/(loss)[1] £m	Statutory operating profit/(loss) £m	Revenue £m	Adjusted operating profit/(loss)[1] £m	Statutory operating profit/(loss) Profit £m
Destination Food Brands	757.9	46.8	72.5	527.1	20.9	24.4
Local Pubs	535.6	57.2	64.0	315.9	2.6	5.9
Premium, Urban and Venture	502.0	80.6	100.1	235.8	6.8	6.2
Pub Partners	172.6	68.9	75.1	109.6	35.1	45.5
Brewing & Brands	208.3	20.6	26.3	153.2	0.9	0.2
Corporate	-	(81.5)	(88.8)	-	(47.7)	(18.4)
Group Total	**2,176.4**	**192.6**	**249.2**	**1,341.6**	**18.6**	**63.8**

1. Adjusted measures exclude the impact of adjusting items, for details see APMs on page 101.

The presented performance covers the 52 weeks to 1 January 2023 and is compared to the previously reported audited 52 weeks ended 2 January 2022.

This year has been about putting our strategy into action. We've made great progress across our key drivers which underpin our strategy, as well as adding an eighth strategy driver which puts the environment and social purpose at the heart of our business. We have been able to make targeted acquisitions this year and invest significantly in optimising our assets and have made progress in driving our cultural transformation.

We continued to grow, with acquisitions in the year including the Ubiquitous Chip in Glasgow, a premium Scottish pub & restaurant, along with its sister restaurants; Stravaigin and The Hanoi Bike Shop, which were acquired in July. Hickory's, a 17 site American-style Smokehouse brand, broadly based in the Northwest of England, was a significant investment brought into our Venture division.

Elsewhere in the business, a new hotels business within Premium, Urban and Venture was created in order to develop the existing hotels estate into a premium small hotel brand. Hive Pubs, the franchise pub brand in Pub Partners, was a new format and grew to 28 in the year. Brewing & Brands launched and rolled out new premium beer brands which continue to be a key focus.

When comparing both periods, it is important to note that the 52 weeks ended 2 January 2022 were at times significantly impacted by the Covid-19 pandemic and therefore comparability is limited. The Omicron Covid variant started to become prevalent in late 2021, with restrictions remaining in place for the first couple of months of the year and low customer confidence associated with this. As 2022 progressed, the impact of Covid on wider society and our pubs reduced. Trading had largely returned to pre-pandemic levels by the Spring and no further Covid related restrictions were put in place in the year. In particular we saw the return of customer demand in London which was particularly hit throughout the Covid pandemic.

On 24 February 2022, Russia invaded Ukraine, which resulted in significant wider economic consequences around the world. Inflation rose through the year, in particular utilities cost inflation was extremely high although the impact on the business was reduced due to our hedging strategy and food cost inflation, which was also very high, had a greater impact on the wider business. Rising costs were not only felt within the business; consumer confidence was also suppressed in light of increases in the cost of living. High cost-inflation was seen across all reporting segments: Destination Food Brands, Local Pubs, Premium, Urban and Venture, Pub Partners and Brewing & Brands and volumes remained below pre-pandemic levels throughout the year.

Continuing the recovery from Covid remained a key priority for management. There were several large events in the year that presented big opportunities for the business, including the Platinum Jubilee weekend in June, the 2022 women's Euros in July and the 2022 men's World Cup which kicked off in November and had to be managed alongside the run up to the busy festive period.

Group revenue was up 62.2% (prior period: up 138.7%) to £2,176.4m, with revenues up in all five reporting segments. The group made an operating profit before adjusting items of £192.6m (prior period: £18.6m). The statutory operating profit was £249.2m, up from a profit of £63.8m in the prior period.

Group adjusted net interest costs fell by 5.1% to £125.7m. Lease interest costs fell by £2.2m and debt interest costs fell by £1.8m.

The group made a statutory profit before tax of £98.4m (prior period: £70.4m loss).

There were no further government grants in FY22 for job retention. The group benefitted from a temporary reduction in VAT for the hospitality sector to 12.5%. This was in place at the start of the year and remained active until 31 March 2022. In the prior year VAT was at a reduced rate of 5% for the first nine months of the year before increasing to 12.5%.

Investment in the wider estate continued, with total core capital expenditure for the group in the 52 weeks ended 1 January 2023 of £164.1m (prior period: £68.0m). The approach to investment was a balanced mix of spend to achieve EBITDA maintenance and EBITDA growth.

OUR BUSINESS MODEL

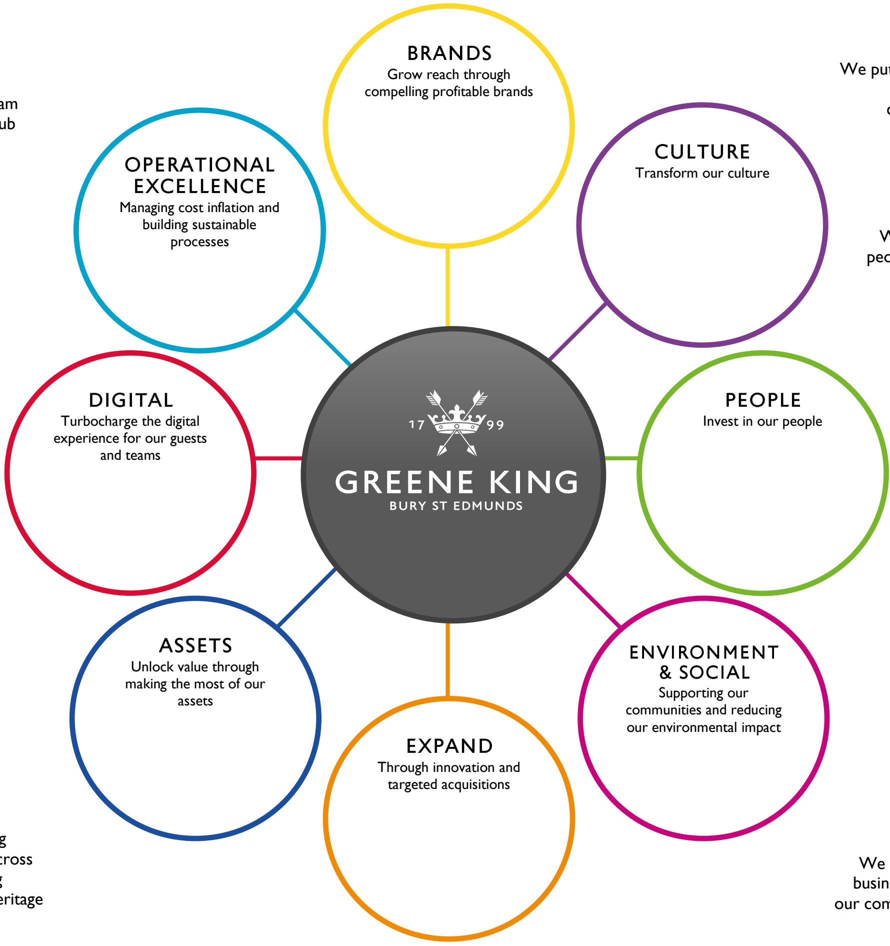
INPUTS	STRATEGY	VALUE
Resources and relationships we rely on to..	…Operate the U.K.'s largest integrated Pub Company and Brewer…	… in pursuit of our purpose to pour happiness into lives

PEOPLE & PARTNERSHIPS
More than 38,600 talented team members and around 1,000 pub partners across the UK

SUPPLIERS & RESOURCES
A network of trusted suppliers providing us with the resources and goods we need to run our pub and brewing businesses sustainably

COMMUNITIES & GOVERNMENT
The engaged communities which we operate in the UK and the support of government and trade bodies

QUALITY ASSETS
The estate of pub and brewing assets we own and operate across the UK and the sector leading brands that reflect our rich heritage



CUSTOMER
We put customers at the heart of our decision making and strive to consistently deliver outstanding customer experiences

PEOPLE
We care about and invest in our people to support fulfilling careers in hospitality

OPERATIONAL EXCELLENCE
We create safe and secure environments for our customers and people at the same time as mitigating cost inflation through sustainable and efficient business processes

FINANCIAL
Our business model delivers long-term growth and consistent cash generation to benefit all our stakeholders

PRIDE
We create a culture of pride in our business as a positive contributor to our communities and our environment

Work began in earnest in 2021 to prepare a longer-term strategic plan and during 2022 the focus was on putting the plan into action. The foundational projects that commenced in 2021, continued during the year to underpin our brand development strategy, including work on customer segmentation, the Greene King brand and a customer engagement programme.

As we continued to refine our strategy in 2022 we added a new strategy driver; Environment & Social. Across our eight strategy drivers we've made great progress this year in executing our strategy towards our goal of becoming the Pride of British Hospitality, famous for outstanding experiences:

Brands – Establishing compelling brands for long- term sustainable growth

- Launched our new range of premium beers: Flint Eye and Level Head, which are now available in pubs across the UK and beginning a roll out into the off-trade
- Grew our new Hive Pubs franchise to almost 30 sites
- Further investment in and development of the Chef & Brewer brand and progressed our premium brand, Crafted Pubs, with the opening of two new sites: The Four Oaks in Sutton Coldfield and The Foundry Bell in Wokingham

Culture – Create a culture and environment through development programmes, investment in tools and training and use of our balance scorecard giving our teams the freedom to succeed

- Completed our first year using our new dartboard, balanced scorecard to measure company performance based on a range of metrics, including customer, operational excellence, people, pride and financial
- As part of our dartboard, we now reward our general managers for managing teams' hours successfully, for example so that people finish their shifts on time to allow for a better work-life balance
- Launched our reverse mentoring programme to bring fresh perspectives and experiences to our senior leaders as well as inclusive leadership training

People – Transform our culture and our team's experience to enable them to deliver on our goal

- Spent more than £1m rolling out our elevate leadership development programme
- Launched a new and much improved maternity policy as part of our journey to everyday inclusion
- Made progress against the commitments in our calling time on racism manifesto

Environment and Social – Supporting our communities, giving people better lives through our work with Macmillan and reducing our environmental impact

- Set a near term target of 50% reduction of greenhouse gas emissions across scopes 1, 2 and 3 (direct and indirect emissions) by 2030 through the Science Based Target Initiative (SBTi) and publicly committed to a net zero target of 2040
- Launched our untapping potential report, making a number of pledges including the training of 5,000 more apprentices by 2025
- Raised £3m in 2022 for Macmillan Cancer Support with £14m raised in total over the 10 year partnership

Expand – Build a balanced portfolio of sustainable brands through targeted acquisitions and innovation

- Investment in Hickory's, a highly differentiated, leading BBQ smokehouse restaurant group, with potential to grow it into a national dining brand
- Made targeted purchases of individual venues across the country
- Announced a move for our Bury St Edmunds distribution depot to a new purpose-built 160,708 square foot site on the outskirts of our hometown

Assets – Make the most of our assets, maximising their potential

- Completed a full estate review of all our pubs to confirm which part of our business would optimise their performance and through this process identified key brand transfers. For example a number of pubs have been given a new lease of life in our Hive Pubs franchise or our Pub & Social managed business.
- Further explored opportunities to premiumise with pubs transferring to Metropolitan Pub Company or Crafted Pubs
- Identified 39 hotels in our Destination Food Brands division and transferred them over to form a new Venture Hotels business

Digital – Build meaningful relationships with customers through digital and make it easy for them to connect with us

- Launched one of our biggest-ever IT projects: pub network of the future, starting to bring high-quality WiFi to all our pubs for both customers and our own network systems. We completed 184 sites by the end of the year and the aim is to complete the full rollout in 2023
- Strengthened our IT security systems and cyber resilience
- Implemented dartboards for individual pubs which all our general managers can access via an app so they can track their pub's performance and quickly identify areas where they're smashing it and others that need further focus

Operational Excellence – Drive innovation and cost efficiency creating sustainably lower costs and ways of operating

- Invested £2.2m in a new and efficient kegging line in our Belhaven Brewery
- Achieved our highest ever average environmental health score for our c1,600 managed pubs: 4.89/5

Greene King and Best Bar None developed the first national accreditation process for Best Bar None, the Home Office and industry supported scheme that recognises and promotes the highest operating standards. All Greene King pubs and Destination pubs will complete training and assessment for accreditation in 2023.

DIVISIONAL PERFORMANCE

Post year end, management have made changes to the structure of the group's internal organisation and changes to the way financial and management information is presented to the board and the executive team. The composition of the group's reportable segments will change for FY23 which will mean Premium, Urban & Venture will no longer be a standalone division, and the group will move from five divisions to four: Greene King Pubs, Partnerships & Ventures, Destination Brands and Brewing & Brands. The new structure will support our long-term brand structure, continue to build our Venture and franchise businesses and allow us to take steps to simplify and strengthen our business.
The structure for FY22 remained unchanged from the prior year with the managed pub division activities reported under three segments: Destination Food Brands, Local Pubs and Premium, Urban and Venture alongside Pub Partners and Brewing & Brands.

DESTINATION FOOD BRANDS

	FY22 52 weeks ended 01/01/23	FY21 52 weeks ended 02/01/22	% change
No. of pubs	597	652	(8.4%)
Revenue	£757.9m	£527.1m	43.8%
Adjusted EBITDA[1]	£87.3m	£67.4m	29.5%
Adjusted operating profit[2]	£46.8m	£20.9m	123.9%
Statutory operating profit	£72.5m	£24.4m	197.1%

1. Adjusted EBITDA represents earnings before interest, tax, depreciation, amortisation and adjusting items.
2. Adjusted measures exclude the impact of adjusting items, for details see APMs on page 101.

Destination Food Brands consists of seven key brands (Chef & Brewer, Farmhouse Inns, Hungry Horse, Pub & Grill, Pub & Carvery, Pub & Dining and Wacky Warehouse) with the focus being on running pubs that bring family and friends together. In February 2022, 39 hotels transferred out of the division into Premium, Urban and Venture to create a separate Venture Hotels sub-division to enable more specialist focus on the opportunities of these unique assets. Despite this, accommodation remains a key revenue stream for Destination Food Brands, with over 1,700 rooms remaining in the estate, but largely as ancillary to the pub trade (pubs with rooms).

The trading environment was particularly challenging for Destination Food Brands in the year, with a marked reduction in trade in January 2022 due to the Covid variant, Omicron, reducing customer demand, coupled with significant food and labour cost inflation. The periods of very hot weather over the summer also negatively impacted on food sales. Despite the inflationary challenges, we remained mindful of the pressures faced by consumers when making decisions regarding price increases to customers.

Total sales were up £230.8m versus FY21, with FY21 sales impacted by Covid restrictions which remained in place until 19 July 2021, and FY21 sales also benefitting from a reduced rate of VAT on food, which reverted back to 20% on 1 April 2022. We monitor Like for Like ("LFL") sales in order to understand the performance of our estate excluding the impact of new sites and disposals. LFL sales include revenue from the sale of drink, food and accommodation but exclude fruit machine income. LFL sales performance is calculated against a comparable period in the prior year for pubs that were trading for the entirety of both periods, meaning the comparable period is 2019. LFL sales were ahead of both 2019 and the market (Coffer Peach Pub Restaurants).

Despite LFL sales being ahead of 2019, volumes remain below 2019 levels.

Development capital expenditure for the year was £31.3m, £25.0m on core schemes (including £9.2m on pubs with rooms) and £2.3m on gardens as consumers demand for high-quality outside space continued post-Covid. In total 80 sites benefitted from capital investment in the year.

Our customer metrics continued to move forward, with Reputation.com scores improved by 8 pts from 2021 and complaints per 1,000 covers ratios improving by 0.03. We also finished the year with an average Environmental Health and National Sanitation Foundation ("EHO/NSF") food hygiene rating of 4.93 out of a maximum of 5.0 (prior year "EHO" score 4.86).

We ran our annual engagement survey in October, with 13,614 employees taking part in the survey (75% response rate). Our two key measures of 'Sustainable Engagement' and 'Business Pride' improved to 84% (+5% pts. vs last year) and 85% (up 4% pts. vs last year) respectively, both in line with the average across the wider Greene King group.

LOCAL PUBS

	FY22 52 weeks ended 01/01/23	FY21 52 weeks ended 02/01/22	% change
No. of pubs	615	599	2.7%
Revenue	£535.6m	£315.9m	69.5%
Adjusted EBITDA[1]	£84.4m	£32.8m	157.3%
Adjusted operating profit[2]	£57.2m	£2.6m	2,100.0%
Statutory operating profit	£64.0m	£5.9m	984.7%

1. Adjusted EBITDA represents earnings before interest, tax, depreciation, amortisation and adjusting items.

2. Adjusted measures exclude the impact of adjusting items, for details see APMs on page 101.

Local Pubs lie at the heart of communities up and down the UK with 615 pubs offering a unique place for customers. The ambition of Local Pubs remains the same, to grow sales by keeping our existing customers while also bringing new, mid-sector pub customers through our doors. The division is split into 4 distinct formats – Pub & Social, Pub & Kitchen, Proper Locals and Flaming Grill.

Our engagement survey was completed across all Local Pubs and support centre with 8,542 participants taking part (76% response rate). Our 'Sustainable Engagement' result improved to 84% (+4% pts. vs last year) and 'Business Pride' increased to 86% (+4% pts. vs last year).

Customer scores saw positive progress with our Reputation.com score increasing by 23 pts on average vs FY21, levels of complaints seen saw a 22% drop vs FY21 when reviewed as a ratio to covers. Environmental Health and National Sanitation Foundation ("EHO/NSF") food hygiene rating finished FY22 at 4.91 out of 5 (prior year "EHO" score 4.83).

Revenue for the Locals Pubs division was up 69.5% against FY21. FY21 saw full pub closures over Q1 given Covid restrictions and gradual reopening of businesses over Q2. LFL sales were ahead of 2019 and the Locals division traded above the comparable market over the year.

The division made an adjusted operating profit of £57.2m, which was £54.6m ahead of FY21. Several challenges were navigated in the year with the higher than anticipated levels of inflation seen across both cost of goods and rate of pay – despite pay challenges we managed to improve our regrettable staff turnover throughout the year.

Following on from our early investments in FY21, an extensive test & learn programme has been run covering Pub & Social and Pub & Kitchen – a total of 14 core investments were completed in the year to establish the platform for scale investments across 2023 and beyond.

Development capital expenditure for the year was £24.9m, £16.0m on core investments, majority of spend seen in Pub & Social and Pub & Kitchen sites as part of our test & learn programme, as well as £4.7m spent on garden schemes following on from the success of our FY21 programme. In total 105 sites benefitted from capital investment in the year.

PREMIUM, URBAN AND VENTURE

	FY22 52 weeks ended 01/01/23	FY21 52 weeks ended 02/01/22	% change
No. of pubs	434	364	19.2%
Revenue	£502.0m	£235.8m	112.9%
Adjusted EBITDA[1]	£112.1m	£38.3m	192.7%
Adjusted operating profit[2]	£80.6m	£6.8m	1,085.3%
Statutory operating profit	£100.1m	£6.2m	1,514.5%

1. Adjusted EBITDA represents earnings before interest, tax, depreciation, amortisation and adjusting items.

2. Adjusted measures exclude the impact of adjusting items, for details see APMs on page 101.

Our Premium, Urban and Venture ("PU&V") division comprises a collection of both "core" Greene King branded urban businesses and "venture" businesses, serving segments of the market outside of Greene King's core offerings and predominantly without Greene King branding in more premium trading styles.

PU&V's businesses have a high concentration in urban areas, in particular London, and as such the impact of the Covid pandemic was felt more acutely by its sites. However, during FY22 significant progress was made in recovering sales in these sites after the opening of the year had seen adverse trading conditions due to the Omicron Covid variant.

Whilst the impact of Covid has declined through the year, in the early part of FY22 the Omicron variant impacts led to a reduction in our sales as footfall reduced. As with all other Covid impacts, the return of footfall in urban areas, particularly London, was slow. Additionally strike action throughout the second half of FY22 further supressed trade, particularly in our key pre-Christmas trading weeks, with the impact being most acute in our city centre locations. A winter World Cup, whilst boosting trade on match days, brought its own challenges and cannibalised festive trade to a degree. Finally, the business faced an exceptionally high level of inflation in late 2022, notably in food, energy, and wage costs.

In addition to continued sales recovery, the PU&V division made progress in expanding its Venture businesses:

- Hickory's Smokehouse, a leading BBQ smokehouse restaurant operator, became a Venture business in October 2022. Hickory's operates 17 restaurants across the Midlands and North West of England. Greene King plans to leverage its scale and expertise to accelerate the national roll out of the Hickory's brand.
- Venture Hotels was created, consisting of a collection of 39 hotels previously traded within the Destination Food Brands division. We hired an experienced hotel operator as Managing Director to run this new business and we anticipate that with dedicated management, brand development and investment, this business will maximise the potential of hotel assets.
- Metropolitan Pub Company ("Metropolitan") continued its growth, reaching over 70 sites in FY22 both through internal transfers from other Greene King formats and through targeted acquisitions. In July 2022 Metropolitan acquired the renowned Glasgow restaurant The Ubiquitous Chip in addition to the Hanoi Bike Shop and Stravaigin, adding to its premium portfolio and strengthening its presence outside of London.

Outside of its Venture businesses, PU&V continued to grow its newly launched Crafted Pubs format, opening its third and fourth sites (The Four Oaks, Sutton Coldfield and The Foundry Bell, Wokingham) following transformational investments. Crafted Pubs connects two key parts of our strategy, growth through compelling brands and asset optimisation. We launched the concept after listening carefully to customers, who told us what they want from a premium pub. As a result, Crafted Pubs is designed to not just meet, but exceed those expectations.

Urban Pubs, the largest element of PU&V at just under 300 sites, continued its sales led recovery in FY22 despite a higher than average exposure to the Covid and rail strike related headwinds noted above. Additionally, Urban Pubs continued to support the group's asset optimisation strategy with the transfer in of a small number of sites from other divisions and successfully launched Greene King's new premium beers (Level Head and Flint Eye) across its estate. Guest metrics showed improvement in the year, with Reputation.com scores improving by 23 pts vs FY21, complaints per 1,000 covers ratio improving by 0.08 and Environmental Health and National Sanitation Foundation ("EHO/NSF") food hygiene rating improving by 0.06 to an average of 4.93 out of a maximum of 5.0.

PU&V revenue grew by 112.9% vs FY21, principally driven by recovery from Covid, but also though investment and acquisition. LFL sales were in line with 2019.

The division made an adjusted operating profit of £80.6m, which was £73.8m ahead of FY21. Development capital expenditure amounted to £17.5m as Premium, Urban and Venture continued to invest to take full advantage of market opportunities and to optimise its current estate. Our engagement survey was completed across all pubs and support centre 11,141 participants taking part (77% response rate). Our 'Sustainable Engagement' result was 86% (+7% pts vs last year) and 'Business Pride' scored 85% (+6% pts. vs last year).

In FY23 we expect continued investment in asset optimisation and expansion for our portfolio of Venture brands. This will include the continued rollout of the Hickory's format into further locations.

PUB PARTNERS

	FY22 52 weeks ended 01/01/23	FY21 52 weeks ended 02/01/22	% change
No. of pubs	990	1,002	(1.2%)
Revenue	£172.6m	£109.6m	57.5%
Adjusted EBITDA[1]	£81.3m	£46.7m	74.1%
Adjusted operating profit[2]	£68.9m	£35.1m	96.3%
Statutory operating profit	£75.1m	£45.5m	65.1%

1. Adjusted EBITDA represents earnings before interest, tax, depreciation, amortisation and adjusting items.

2. Adjusted measures exclude the impact of adjusting items, for details see APMs on page 101.

Pub Partners has a high-quality portfolio of 990 pubs, at the end of the year 949 of these made up our leased and tenanted estate and 41 were on franchise agreements. The division generates significant and stable cash flow for the group, adds purchasing scale, enhances the Greene King brand and provides flexibility in our estate planning. The support we provided during the period impacted by Covid helped us to be in a strong position to deliver robust financial results for the FY22 financial year.

Revenue of £172.6m was up 57.5% vs FY21 and adjusted EBITDA of £81.3m was up 74.1% vs FY21. Our partners faced increasing pressure on their financial stability driven by two key external factors; beer volumes not yet returning to pre-Covid levels coupled with inflationary pressure on their cost base, most significantly from staff costs, food inflation and rising energy costs. Despite this pressure our tenants have shown strong resilience.

FY22 saw acceleration in the development of our franchise estate. We grew the number of franchise pubs from 17 at the end of FY21 to 41 at the end of FY22, and of these 41 pubs, 28 are branded under our Hive umbrella. This growth was driven by significant capital investment. In FY22 we invested £8.8m of development capital to deliver these 28 Hive pubs and these are showing strong return on this investment. We are sourcing our franchise pubs both from our leased and tenanted estate and also former managed pubs that we believe can return better value as a franchise. The franchise estate is making a strong contribution to the Pub Partners division and we will continue to invest and grow the estate of franchise pubs in FY23.

Investing in our leased and tenanted pubs continues to be a critical part of our strategy. In FY22 we invested £17.4m development capital in our leased and tenanted estate, £8.9m of this investment was focused on maintenance and IT spend and the remaining £8.5m was spent on development capital. The development capital was spent across 113 pubs in the leased and tenanted estate. Our programme of investment continues to deliver strong returns.

We launched the Dartboard as a new internal tool for measuring the performance of the division in FY22, with an objective of focussing on a balanced view of measuring success. The first year of using the Dartboard has been a success, with particular performance highlights including PCA Compliance (98%) and Licensee Satisfaction (78%) which landed ahead of target.

We continue to receive strong feedback from both our internal teams and our partners, showing the strength of both the internal and external relationships that we have built with stakeholders. We ran our annual engagement survey with 89 employees taking part (99% response rate). The survey delivered a ‘Sustainable Engagement’ score of 92% (+1%pts vs last year) and a ‘Business Pride’ score of 93% (decrease of 1% pts vs last year). In the annual industry wide tenant survey carried out by KAM media, we were rated best overall by tenants against the other five regulated pub-owning businesses.

We continue to be subject to legislation known as the Pubs Code, which regulates the relationship with us and our tied partners in England and Wales. Compliance with the Pubs Code is overseen by Greene King’s Code Compliance Officer (CCO), a legislative role required by the Pubs Code regulations. Regular internal compliance reporting is undertaken and once a year the CCO is required to submit an annual report to the PCA confirming Greene King’s compliance with the code. In 2022, Greene King adapted its ways of working to ensure compliance with the changes introduced to the Pubs Code in April 2022 following the first statutory review. We participated in the second statutory review launched by the Government in May 2022 and await the outcome of this. In Scotland we are signatories to the voluntary self-regulated Pubs Code known as the Pub Sector - Scotland Code of Practice, which is overseen by the Pub Governing Body.

BREWING & BRANDS

	FY22 52 weeks ended 01/01/23	FY21 52 weeks ended 02/01/22	% change
Revenue[1]	£208.3m	£153.2m	36.0%
Adjusted EBITDA[2]	£29.7m	£11.1m	167.6%
Adjusted operating profit[3]	£20.6m	£0.9m	2,188.9%
Statutory operating profit	£26.3m	£0.2m	13,050.0%

1. Revenue disclosed is entirely in relation to third party customers.

2. Adjusted EBITDA represents earnings before interest, tax, depreciation, amortisation and adjusting items from external and internal sales.

3. Adjusted measures exclude the impact of adjusting items, for details see APMs on page 101.

Brewing & Brands brews, sells and distributes a wide range of market leading beers, including Greene King IPA, Old Speckled Hen, Abbot Ale, Ice Breaker and Belhaven Best, from our two breweries in Bury St Edmunds and Dunbar. More latterly the business has increased its focus and intent to expand its presence releasing two new premium beers in Level Head (a session IPA) and Flint Eye (a modern hopped lager). Revenue of £208.3m was 36.0% higher than FY21 with adjusted operating profit at £20.6m, which was up £19.7m vs FY21.

Despite a notable climbdown in the prevalence and impact of Covid, FY22 was still characterised by ongoing economic and socio-political challenges which contributed to a volatile and ever-changing environment across the beer and pubs landscape. Supply chain disruption continued which put pressure onto our operational teams both in terms of continuity and reliability of foreign supply, as well as availability of labour. This was compounded by industrial action in Q4 which put additional pressure onto production and distribution. However, testament to the operational management capabilities, service levels for OTIF (on time, in full) deliveries were recorded at 94.8% across the year.

Economically, rising commodity and energy prices, alongside a strong recovery in market demand for beer products, led to significant inflationary pressures. The business absorbed cost increases in raw materials, 3rd party packaging (canning), packaging materials, fuel and 3rd party distribution contracts in particular, which increased the operating cost base. However, management have been able to mitigate this impact across the broad portfolio with levied price increases.

Due to the relaxation of Covid restrictions, the on trade did bounce-back vs. FY21, however overall footfall and volume did not return to pre-Covid levels owing to multiple factors, including a continued reluctance of older drinkers to return to the on trade, pressure on consumer disposable incomes and increasing levels of outlet closures. Total on trade beer volumes grew +51% year-on-year, however remained 18% below that of F19. Own Brewed Volume ("OBV") fared slightly worse than foreign beer (externally procured volume), with B&B sales biased towards traditional/cask ale which continues to underperform the total beer market as part of a long-term trend. However, despite a disappointing trajectory in the overall cask market, the business did grow its share of the market consistently across the year from 8.0% in January to 8.8% in December.

The premium beers mentioned above are a key element of the division's future strategy and a key driver of future growth. These were launched successfully in Q1; first being seeded in a select group of Greene King managed sites and later being rolled out more widely both into additional Greene King outlets, as well as in the free trade market, with ambitious growth plans in place for further on trade distribution in 2023, as well as new listings secured in various retailers in the off trade.

In the off trade, a combination of improved supply and strong underlying rate of sale, allowed Greene King to outperform the market in FY22. Based on Nielsen reporting, we finished the year with volume decline of 13.8% vs. a traditional ale category decline of 18.5% and a decline of 9.3% vs. F19. Part of the year-on-year volume decline has been attributed to a shift of volume back into the on trade post-the pandemic. However, despite the volume decline, our share in the total off trade grew from 16.2% to 17.1%,.

Our annual employee engagement survey was completed with over 600 participants taking part in the survey (77% response rate). Our 'Sustainable Engagement' result was 72% (+3% pts vs last year) with 'Business Pride' scoring 82%, (+3% pts vs last year).

Brewing & Brands sustained its commitment to invest in brewing brilliant beers and building brilliant brands throughout the year. Core PP&E capex increased vs. 2021 to £10.3m, as we continue to invest in onboarding new assets, bringing our existing assets up to a higher quality and ensuring our compliance to high safety standards. Testament to our commitment to ensuring the safety and wellbeing of our employees, B&B achieved an historically strong safety record across the year, with just 5 RIDDORs reported; a significant reduction on previous years (excluding Covid-impacted years where activity levels were dramatically reduced owing to shutdowns).

In November 2022, Brewing & Brands entered into a 20-year lease agreement for a new purpose-built distribution centre based on Suffolk Park, Bury St Edmunds (less than three miles from our existing operation). Moving to a newer facility will allow us to maintain our high levels of operational excellence as well reduce the number of our vehicles on the town's roads. This addition highlights our commitment to investing in Bury St Edmunds and work is progressing well at the site.

FINANCIAL REVIEW

Income Statement

	Statutory			Adjusted[1]		
	52 weeks 1 January 2023 £m	52 weeks 2 January 2022 £m	YoY change	52 weeks 1 January 2023 £m	52 weeks 2 January 2022 £m	YoY change
Revenue	2,176.4	1,341.6	62.2%	2,176.4	1,341.6	62.2%
Operating profit	**249.2**	**63.8**	**290.6%**	**192.6**	**18.6**	**935.5%**
Net finance costs	(150.8)	(134.2)	12.4%	(125.7)	(132.4)	(5.1%)
Profit/(loss) before tax	**98.4**	**(70.4)**	**239.8%**	**66.9**	**(113.8)**	**158.8%**

1. Adjusted measures exclude the impact of adjusting items, for details see APMs on page 101 and note 5 for adjusting items.

Revenue was £2,176.4m, an increase of 62.2% compared to the 52 weeks ending 2 January 2022, with increases in all five revenue generating segments versus the prior period due to increased levels of trading in the period as a result of fewer restrictions. Destination Food Brands revenue was up 43.8% to £757.9m, Local Pubs revenue was up 69.5% to £535.6m, and Premium, Urban and Venture revenue was up 112.9% to £502.0m. Pub Partners revenue was £172.6m, up 57.5% and Brewing & Brands revenue increased 36.0% to £208.3m.

Group adjusted operating profit by segment

	52 weeks 1 January 2023 £m	52 weeks 2 January 2022 £m	YoY change
Destination Food Brands	46.8	20.9	123.9%
Local Pubs	57.2	2.6	2,100.0%
Premium, Urban and Venture	80.6	6.8	1,085.3%
Pub Partners	68.9	35.1	96.3%
Brewing & Brands	20.6	0.9	2,188.9%
Corporate	(81.5)	(47.7)	70.9%
Group adjusted operating profit[1]	**192.6**	**18.6**	**935.5%**

1. Adjusted measures exclude the impact of adjusting items, for details see APMs on page 101 and note 5 for adjusting items.

Net finance costs before adjusting items were down 5.1% to £125.7m, primarily due to the partial repayment of the group's revolving loan facility with CKA Holdings UK Limited, see further details in the cash flow section below.

Profit before tax and adjusting items was £66.9m, a significant improvement on the loss before tax and adjusting items of £113.8m in the prior period. The group made a statutory profit before tax of £98.4m (prior period: £70.4m loss), after an adjusting credit of £56.6m (prior period: £45.2m) and an adjusting finance cost of £25.1m (prior period: £1.8m).

Adjusted corporate costs increased £33.8m to £81.5m compared to the prior period primarily due to increased investment in central functions as well as an increase in net payroll costs following the launch of a long-term incentive plan and increase in bonus as a result of improved trading performance in the period.

Tax

The effective rate of corporation tax (before adjusting items) is 16.2% (prior period: 19.0%) compared with the UK corporation tax rate of 19.0%. Adjustments to the rate include non-deductible interest under UK Transfer Pricing rules (+5.3%), the effect of Capital Allowances Super Deductions (-2.4%) and non-adjusting accounting movements on Property, Plant and Equipment (-5.7%). This resulted in a tax charge against operating profits (before adjusting items) of £10.8m (prior period: £55.5m credit). The adjusting tax charge of £19.7m (prior period: £16.9m charge) is discussed under adjusting items.

The group generates revenue, profits and employment that deliver substantial tax revenues for the UK government in the form of VAT, duties, income tax, employment taxes and corporation tax. In the year, total tax revenues paid by the group were c.£517m (prior period: c.£298m). The increase in tax payments in the year reflects the trading performance of the group and the expiry of reduced rate of VAT on hospitality at the beginning of the period. The group's tax policy, which has been approved by the group's board committee and which will be subject to regular review by the board of directors of the group, has the objective of ensuring that the group fulfils its obligations as a responsible UK taxpayer.

Adjusting Items

Adjusting items was a credit of £11.8m (prior period: £26.5m credit), consisting of a £56.6m (prior period: £45.2m) credit to operating profit, a £25.1m (prior period: £1.8m) charge to finance costs and a net adjusting tax charge of £19.7m (prior period: £16.9m). Items recognised in the year included the following:

1. A net impairment reversal of £29.9m (prior period: reversal £8.2m), in relation to property, plant and equipment, and right-of-use asset comprising £0.9m net charge (prior period: £nil).
2. £18.0m (prior period £3.3m) net profit on disposal of property, plant and equipment and leases.
3. A net credit of £6.8m (prior period: £5.4m) in relation to Covid. This includes a credit of £7.3m (prior period £5.0m) on bad debt provision reversals on both free trade loans and trade debt, a £2.1m charge in respect of personal protective equipment written off and a £1.6m credit (prior period: £2.9m) relating to Covid rent concessions (net of fees).
4. A net £3.3m charge (prior period: £29.2m credit) in respect of Indirect Tax claims.
5. £4.2m charge (prior period: £nil) in respect of professional fees on corporate transactions and projects.
6. £6.1m credit (prior period: £nil) in respect of items relating to matters in the prior periods across a number of areas including depreciation, legal and HR.
7. A loss of £0.1m (prior period: £nil) in respect of the revaluation of investment property.
8. £4.3m credit in respect of insurance proceeds relating to damaged assets.
9. The £25.1m charge (prior period: £1.8m) for adjusting finance costs includes a £17.3m charge (prior period: £7.3m charge) recycled from the hedging reserve in respect of settled interest rate swap liabilities, £12.4m loss (prior period: £nil) on settlement of financial liabilities, £4.4m gain (prior period: £1.3m gain) in respect of market-to market movements in the fair value of interest rate swaps not qualifying for hedge accounting, £0.5m charge (prior period: £4.2m credit) in respect of interest on indirect tax claims and £0.7m interest income (prior period: £nil) in respect of tax positions and adjustments.
10. The adjusting tax charge of £19.7m (prior period: £16.9m) represents an effective rate of corporation tax on adjusting items of 62% after tax adjustments of £13.7m. The adjusting tax charge includes adjustments in respect of prior years totalling £11.7m, which includes adjustments for: resubmissions of prior year returns £3.0m credit, recognition of an intercompany receipt for group relief £0.4m credit, and deferred tax prior year adjustments of £15.1m. Current year adjustments to adjusting tax items include adjusting accounting movements on property, plant and equipment of £1.3m credit, use of capital losses resulting in a £1.9m charge and disallowable expenditure £0.9m charge. P&L rate change adjustments on deferred tax totalled £0.5m in the period.

Cashflow

	52 weeks 1 January 2023 £m	52 weeks 2 January 2022 £m
Adjusted EBITDA[1]	321.1	156.3
Working capital and other movements	25.6	89.3
Net interest paid[2]	(113.8)	(102.7)
Tax paid	(3.5)	(0.2)
Adjusted cash generated from operations	**229.4**	**142.7**
Core capital expenditure[3]	(164.1)	(68.0)
Net repayment of trade loans	0.2	2.8
Repayment of lease liabilities	(52.4)	(70.3)
Free cash flow	**13.1**	**7.2**
Business acquisitions	(34.7)	-
Investment property expenditure	(0.2)	-
Net disposal proceeds	19.9	0.6
New build capital expenditure & freehold purchase	(17.4)	(114.7)
Receipt from a settlement of derivative financial liabilities	8.6	-
Adjusting items	(4.0)	(8.0)
Advance of borrowings	7.7	63.9
Net decrease in cash and cash equivalents	**(7.0)**	**(51.0)**

1. EBITDA represents earnings before interest, tax, depreciation, amortisation and adjusting items and is reconciled in the cash flow statement.

2. Adjusted measures excluding the impact of adjusting items, for details see APMs on page 101

3. Core capital expenditure represents capital work for developments and maintenance, excluding new sites and brand swaps.

The group's cashflow for the year reflects the continued strong recovery from the Covid-19 pandemic. The full year adjusted cash inflow from operations was £229.4m (prior period: inflow of £142.7m) demonstrating the strength of the group's trading performance despite a range of ongoing cost headwinds. Overall the cash outflow for the period was £7.0m (prior period: outflow of £51.0m) predominantly due to investment in capital expenditure including acquisitions of £216.4m (prior period: £182.7m) and rent payments of £52.4m (prior period: £70.3m), offset by disposal proceeds of £19.9m (prior period: £0.6m) and a net cash inflow on settlement of derivative financial instruments of £8.6m (prior period: £nil).

There was a net cash advancement of borrowings during the year of £7.7m (prior period: £63.9m). In total there was a repayment of borrowings of £907.3m (prior period: net advancement £63.9m) principally funded by a share issue which generated proceeds of £915.0m as detailed below. The rationale for this was to strengthen the group's balance sheet and improve the group's financial gearing and leverage following the impact of the Covid-19 pandemic. The £915.0m repayment of debt and proceeds generated from the share issue are not presented in the cash flow as the transactions were not cash settled.

The group returned to a full programme of both maintenance and development capital expenditure including investment in IT infrastructure as well as a range of transformation projects. Net disposal proceeds of £19.9m were principally generated from 6 non-core pubs as well as one high alternative use value site.

An aggregate net cash outflow of £34.7m arose on two business acquisitions which together added 20 restaurants to the group's estate, including 17 which operate under the Hickory's Smokehouse brand. In addition, £17.4m was spent on 4 single site acquisitions including subsequent development spend on these sites and the freehold reversion of 4 further sites which had previously been owned on a leasehold basis.

In order to support the long-term strategic priorities, the group's objective is to maximise the strength and flexibility of its balance sheet, and to maintain a capital structure which meets the short, medium, and long-term funding requirements of the business. The principal elements of the group's capital structure are its £900m bank facilities, which were £820m drawn at the year end, £1,500m revolving loan facility with CKA Holdings UK Limited, which was £311m drawn at the year end, and a long-term asset-backed financing vehicle.

In April 2022 the revolving loan facility with CKA Holdings UK Limited was extended to November 2024.

In September 2022 the group redeemed in full the Spirit debenture A5 bond at a clean price of 115% of par (net of a gilt lock hedge) and terminated the corresponding interest rate swap. The total cash cost of the redemption, which was funded via existing bank facilities, was £113.9m, comprising the net redemption amount across the bond and gilt lock hedge of £111.3m and the settlement amount on the swap of £2.6m. The Spirit A5 bond was the final bond in the Spirit debenture structure and accordingly its redemption resulted in the termination of the debenture structure and the release of security over the charged assets. The Spirit debenture has now been fully eliminated from the group's capital structure, increasing the flexibility of the group's assets by releasing 506 pubs from security.

In October 2022 the group's immediate parent, CK Noble (UK) Limited, subscribed for 915 ordinary shares in the company for an aggregate subscription price of £915m. These funds were applied to a partial repayment under the group's revolving loan facility with CKA Holdings UK Limited, increasing headroom under that facility to £1,189m and bringing the drawn position down to £311m.

In November 2022 the group executed a new three-year £300m revolving loan facility with DBS Bank. The purpose of the facility was to restore bank headroom following the redemption of the Spirit debenture A5 bond in September and to provide additional funding for further refinancing activity.

In December 2022 the group redeemed in full the Greene King securitisation A5 bond at par and terminated the corresponding interest rate swap. The net cash cost of the redemption, which was funded by the new DBS Bank facility, was £160.0m, comprising the redemption amount on the bond of £179.9m partially offset by a cash inflow on the settlement of the swap of £19.9m.

At the year end, the Greene King securitisation had secured bonds with a group carrying value of £1,073.7m (prior period: £1,314.6m) and an average life of seven years (prior period: eight years), secured against 1,473 pubs (prior period: 1,481 pubs) with a group property, plant and equipment carrying value of £1,995.0m (prior period: £1,945.7m).

The group returned to covenant compliance in the Greene King securitisation throughout 2022, with all financial covenants being passed in respect of each of the April 2022, July 2022, October 2022 and January 2023 test dates. The group's financial covenant waivers, which had been granted in 2021, covered the period up to and including the April 2022 test date. The group believes that the return to covenant compliance is sustainable and that accordingly no further waivers are expected to be required.

The group's liquidity position remains strong reflecting the resilience of the group's capital structure. The group's average cash cost of debt increased to 4.8% from 3.5% last period, and at the year end 65.5% of the group's net debt was at a fixed rate. The Greene King secured vehicle had a four-quarter lookback FCF DSCR of 1.2x at the year end, giving 16% headroom to the covenant limit of 1.1x.

Overall, the group's net debt excluding lease liabilities reduced in the year by £879.3m to £2,115.0m.

Balance sheet

	1 January 2023 £m	2 January 2022 £m
Goodwill and other intangibles	**941.6**	912.6
Property, plant and equipment (inc. investment property and assets held for sale)	**3,896.8**	3,723.5
Post-employment assets	**55.2**	136.8
Net debt	**(2,115.0)**	(2,994.3)
Derivative financial instruments	**(24.4)**	(112.8)
Trade and other payables	**(412.4)**	(353.1)
Net IFRS 16 liability	**(37.4)**	(63.6)
Other net assets	**147.0**	195.4
Net assets	**2,451.4**	1,444.5
Share capital and premium	**1,223.4**	308.4
Reserves	**1,228.0**	1,136.1
Total equity	**2,451.4**	1,444.5

Pensions

The group maintains two defined contribution schemes, which are open to all new team members and two defined benefit schemes, which are closed to new entrants and to future accrual.

On 19 January 2022 the Spirit Pension scheme entered into a second buy-in policy for c.£110m that provides insurance for a proportion of its members. This takes the total insured value to c.£160m.

At 1 January 2023, there was an IAS 19 net pension asset of £55.2m representing a decrease of £81.6m since 2 January 2022. The closing assets of the group's two pension schemes totalled £633.0m and closing liabilities were £577.8m compared to £1,002.6m and £865.8m respectively at the previous period end. In the current year, the membership data and demographic assumptions have been updated to reflect the latest triennial valuations completed for both schemes in 2022. Also included in the remeasurement are key assumptions relating to the discount rate of 4.8% (prior period: 1.9%), RPI inflation of 3.3% (prior period: 3.3%) and CPI inflation of 2.7% (prior period: 2.6%). Total cash contributions in the period were £4.1m (prior period: £4.5m), following the funding valuation it was agreed company contributions would be made into escrow, of the £4.1m paid in the year £1.5m was paid into escrow.

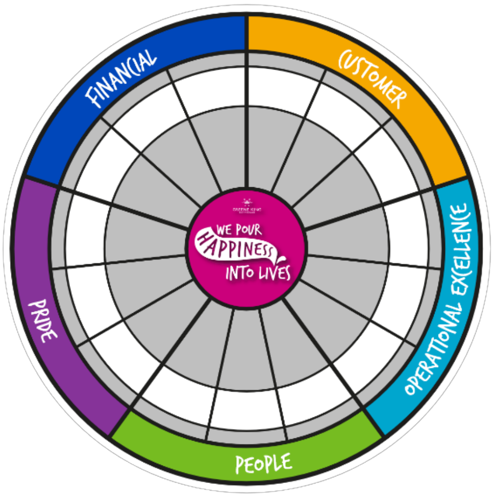
Dividend

No dividend has been proposed by the board in the current or prior period.

KEY PERFORMANCE INDICATORS

As part of the group's prior year objectives, the group introduced a balance scorecard, called the "Dartboard" to assess the performance of the group. It was launched in 2021 however 2022 was the first financial year it was formally used to measure the performance of the business. There are a number of Dartboards used across the business; there is at least one per division and for the managed division, these range from divisional level all the through to pub level. In addition to the divisional Dartboards there is a group one, the metrics disclosed in the tables below are based on the group Dartboard.

There are 15 key performance indicators (KPIs) reported in the Dartboard that are structured around 5 pillars which promote our strategic objectives around people, operations, customers and pride as ways to target sustainable financial outcomes. Each KPI is measured using a blue, red, amber, green (BRAG) system on a periodic and year to date basis. A large number of the KPIs are measured against budget or an internal metric, however, to demonstrate how we measure the performance of the business, one KPI per pillar has been set out and commented on in the table below. The KPIs selected are those that have most relevance and meaning to an external reader based on how the KPI is measured.



FINANCIAL
Adjusted EBIT underpin[1] (£m)

The Dartboard has an adjusted EBIT underpin in addition to the 15 KPI metrics referenced above. Adjusted EBIT is equal to adjusted operating profit.

2022	**£192.6m**
2021	£18.6m
2020SY[3]	£(185.8m)

Summary
The group's adjusted EBIT improved due to improved trading performance as a result of less impact from Covid during the period. See further details on the group's performance on page 4.

FINANCIAL
Free Cash Flow (£m)[1]

Free cash flow is reconciled on page 101.

2022	**£13.1m**
2021	£7.2m
2020SY[3]	£(253.3m)

Summary
The group remained cash generative in the period largely due to improved trading performance throughout the year.

CUSTOMER
Group sales (year on year) (%)

Sales growth or decline measured vs the prior year. Due to Covid, H2 2021 and 2022 have been assessed versus the same periods in 2019.

2022	**(0.4%)**
H2 2021	(8.7%)

Summary
2022 group sales are in line with 2019.

OPERATIONAL EXCELLENCE
Safety & Compliance

Measured as an average of each the component metrics for each operational division. Managed divisions are assessed on food hygiene scores, Pub Partners on SafeStart and Brewing & Brands on RIDDOR (The Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) accidents.

2022	**100%**
H2 2021	100%

Summary
All five divisions met their safety targets for the period ended 1 January 2023.

PEOPLE
Sustainable Engagement (%)

Measured using sustainable engagement model, which is 3 questions in the Willis Towers Watson Survey (Rant and Rave)

2022	**84%**
2021	79%
2020SY[3]	69%

Summary
The survey has assessed 84% of our employees to be engaged, enabled and energised, an improvement of 5% on the prior year.

PRIDE
Business Pride Score (%)

Measured using the answer to "I am proud to be associated with Greene King" within the Willis Towers Watson engagement survey (Rant and Rave)

2022	**85%**
2021	82%

Summary
The survey has assessed 85% of our employees to be proud to work at Greene King an improvement of 3% on the prior year.

1. Adjusted measures excluding the impact of adjusting items, for details see APMs on page 101
2. 2020SY was measured solely on the answer to "I feel engaged and committed at present"
3. 2020SY is the 36 weeks ended 3 January 2021

DIRECTORS DUTIES UNDER SECTION 172 COMPANIES ACT 2006

Under section 172 of the Companies Act 2006 the directors of the company are required to act in a way which promotes the long-term success of the company and in doing so to consider the interests of the company's stakeholders. This section of the report is designed to set out how the directors have complied with their obligations in this regard.

The directors of the company have at all times during the period (and at all other times) acted in the way that they considered, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so had regard (amongst other matters) to:

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

Engaging with stakeholders. The success of our business is dependent on the support of all of our stakeholders. Building positive relationships with stakeholders that share our values is important to us and working together towards shared goals assists us in delivering long-term sustainable success. The group's key stakeholders are as follows:

Shareholders. The company is a wholly owned subsidiary of CK Asset Holdings Limited ("CKA"), a limited liability company incorporated in the Cayman Islands, registered in Hong Kong, and listed on the Main Board of the Hong Kong Stock Exchange. The board has continued to ensure that there is appropriate engagement by the company with CKA. Certain members of the board of CKA receive copies of the company's board meeting packs and are invited to attend and ask questions at the company's board meetings to ensure that there is direct contact between the two boards and that the company's parent is fully informed of the company's activities. As well as an update from the CEO, the board receives and reviews reports on the company's financial performance, on matters relating to employees and on audit and risk related matters.

Team members. Our people are our greatest advantage, with an average of 38,600 team members employed across the group during the year. Attracting and retaining the best people and developing and investing in them is critical to our continued success.

Staff shortages have been an issue at times throughout the year. Recruitment issues were dealt with via pay rises, the reintroduction of bonus schemes, a focus on improving work-life balance for some team members and other measures to reward and recognise the commitment of our employees.

There are many ways we engage with and listen to our people including engagement surveys, forums, listening groups, face-to-face briefings, internal communications and Kingdom (our team member app). Key areas of focus include health and wellbeing, development opportunities, pay and benefits, and ensuring that our team members understand the group's values, strategy and financial performance. Regular reports about what is important to our team members are made to the board ensuring consideration is given to their needs, and our employee engagement score is a key performance indicator.

We also continued our drive to improve inclusion and diversity across the group, with specific training on the issue for 160 managers as part of our cultural change programme. We have four Employee Led Inclusion Groups (ELIGs) and each has an executive board sponsor:

- Village Greene – our LGBTQ+ focused employee-led inclusion group
- Unity – our Black, Asian and minority ethnic focused employee-led inclusion group
- Greene Sky – our female focused employee-led inclusion group
- Ability – our disability focused group

The groups aim to raise awareness of issues facing the community they represent and have also been involved in helping management shape policies in relevant areas, including for example the group's new maternity policy.

In October 2022 we held a 'Purpose in Your Hands' conference as part of the company's cultural change programme. 387 senior leaders from across the business attended the event, which received very positive feedback and included the launch of the new environment and social strategic driver, discussed below

Customers. We place customers at the heart of what we do and regularly benchmark against the best in class. In terms of brand positioning and customer service levels. The board is given details of relevant customer insights based on a number of inputs from customer surveys, market data and forward-looking horizon scanning exercises and also of any significant health and safety related issues relating to our customers. It has also been advised of customer attitudes towards the economic environment. These all link back to our balanced scorecard when it comes to assessing group performance.

The board was advised of and supported management's decision to cease trading with export customers based in Russia following the invasion of Ukraine.

Tenants. The success of Greene King's Pub Partners division, which manages our tenanted and leased pubs, is dependent on the success of our licensees. We have several different agreement types in place designed to best align the interests of Greene King with those of its licensees and support long and successful tenures. A particular focus during the year, fully supported by the board, has been the roll out of the Hive pubs franchise, designed to give tenants a ready to trade pub within a proven branded concept for just £5,000 ingoing cost.

We engage with our tenants on a regular basis, including through meetings with our business development managers and through tenant surveys, to ensure that we are aware of the key issues affecting them and their business.

Suppliers. We aim to build strong relationships with our suppliers to develop mutually beneficial and lasting partnerships. Our CEO, CFO and other members of the senior management team regularly meet with key suppliers. We have a Code of Conduct which we expect suppliers to confirm their agreement to, covering a range of basic requirements that we expect all of our suppliers to meet. These include that all employees shall be free to choose their employment and shall not be forced to work against their will, and that there shall be no forced, bonded or involuntary prison labour or human trafficking.

Supply chain issues have been a feature of the year, with inflationary pressures being felt throughout the supply chain and supply shortages in relation to products historically sourced from Russia or Ukraine. The board has been kept fully informed of actions taken by management to address the cost increases and to source alternative products.

Debt holders. At the beginning of the year the group had two secured financing vehicles with bonds listed on the Dublin and Luxembourg stock exchanges. During the year, we benefitted from a waiver of the breach of certain financial covenants from the bondholders in the Greene King securitisation, caused by the historical issues associated with the closure of pubs during the Covid pandemic. In December 2022 and with the approval of the board committee, the Greene King A5 bond was redeemed in full. Bondholders receive regular reports on the financial performance of the securitisation.

In relation to the Spirit debenture, we operated it in accordance with the agreements governing its operation, without the benefit of a waiver, and in September 2022 the board committee approved the redemption of the outstanding bonds, paying all outstanding bondholders in full.

Pension trustees. The company has two final salary pension schemes, both of which are closed to new members and future accruals. The company's Group Financial Controller engages proactively, including via meetings, with each pension scheme trustee on a range of matters, including triennial valuations, funding levels, journey planning as well as future investment strategy. The triennial valuations of both schemes were agreed during the year, and agreement was also reached with the trustees of the Greene King scheme (and approved by the board committee) for an escrow arrangement relating to future company contributions.

Government and regulatory authorities. We engage with the government and regulators through a range of methods. We are in regular contact with local authorities in relation to property, licensing and health and safety matters, working proactively with them where appropriate. There is ongoing contact with HMRC in relation to tax matters, whilst we have also worked with the Department of Justice in relation to our support for programmes to encourage ex-offenders back into the workplace.

During the year our Pub Partners division participated in the second statutory review by the government of the Pubs Code legislation.

We are members of both the British Beer and Pub Association and UK Hospitality, both of which lobby and liaise with government and regulatory bodies on matters affecting the industry. This has contributed to the decision last year for the government to freeze alcohol duty to the 1st of August this year as well as the energy support provided to small business given the significant levels of inflation.

Our chief executive, Nick Mackenzie, sits on the Hospitality Sector Council which is a group of experts representing a cross-sector of the sector. Its aim is to support the delivery of the government's Hospitality Strategy which links back to our social strategy in supporting local communities.

Community. Our pubs act as hubs for their local communities, offering a place to sit, socialise and make a difference to local services and good causes. Since it was established ten years ago, we have raised £14m for our national charity partner, Macmillan Cancer Support.

The board is also made aware of significant matters affecting the company's reputation, where relevant.

Further details of how we engage with our local communities and our work on diversity is set out in the environmental, social and governance section of the strategic report.

Landlords of leasehold properties. Whilst the majority of our pubs and restaurants are freehold properties, we do operate a number of leasehold sites owned by a range of landlords. Engagement with such landlords primarily concerns rent and repairs.

Case studies

1. Strategy and budget

The company's strategic goal, set in 2020, is to be the pride of British hospitality, famous for outstanding customer experiences. Work began in earnest in 2021 to prepare a longer-term strategic plan. During 2022, following approval of the budget by the board committee in December 2021, the focus was on putting the plan into action. The foundational projects commenced in 2021 continued during the year to underpin the group's brand development strategy, including work on customer segmentation, the Greene King brand and a customer engagement programme. At the same time work on culture and values continued (see case study below). Other priorities for 2022 included:

- Rolling out proven brands and also trialling new formats to rebalance our portfolio – Crafted Pubs, the Hive pub franchise and modern beer portfolio all proved successful during the year.
- Investing in a step change in our digital capabilities – as well as commencing work on a range of digital initiatives including agreeing a programme to update the group's websites, we invested £11.2m on the pub network of the future – high quality Wi-Fi for all our pubs.
- Strengthening our IT security and core systems infrastructure.
- Investing to deliver operational efficiency and cost mitigation in future years.

We also introduced a new strategic driver, environment and social to provide further support to our communities, help our customers make more sustainable choices and to reduce greenhouse gas emissions within our own operations. Since the year end the Science Based Targets initiative (SBTi) has approved our near-term science-based emissions reduction target and we are working on our plans to deliver on those targets.

For 2023, the strategic plan was updated and refreshed and the budget was set with a view to:

- ensuring that the company delivers positive cashflow;
- demonstrating EBIT progression, excluding the effect of utilities;
- ensuring investments generate returns and deliver long-term foundational platforms to support future growth; and
- being focused on delivering fewer projects but landing them consistently and sustainably.

There will be a greater focus on operational excellence and leveraging digital during the course of 2023. The 2023 budget was approved by the board committee in November 2022.

2. Culture and values

Significant progress continued during the year with regard to 'Greene King Unleashed', the company's programme of cultural and strategic transformation. Supported by both the board and the board committee, the following elements of the programme were delivered during the year:

- More than 2,000 managers took part in an intensive leadership development programme, to build the skills and capabilities to embed the cultural change programme.
- We ran a high performing teams programme for our leadership team to equip them with additional skills to ensure they get the best out of their teams.
- Continuing the drive to improve inclusion and diversity across the business.
- The consistent use of the "Dartboard" balanced scorecard to measure and assess performance against strategy in a more rounded way.
- The implementation of a new performance management and talent process which started at the beginning of 2022.

This has supported an increase in our sustainable engagement measure increase to 84% from 79% during the year. For further information on this please see page 34.

3. Acquisitions and Investments

With the ending of the Covid restrictions the business was able once again to consider taking advantage of opportunities to expand via appropriate acquisitions. A number of single site acquisitions were made during the year to enhance the estate, with a particular focus on pubs and restaurants suitable for inclusion with our Metropolitan Pub Company. In July the board committee approved the acquisition of a package of three restaurants in Glasgow, including the well-known Ubiquitous Chip. The acquisition was made with the agreement of our shareholder, CK Asset Holdings Limited.

We also worked closely with representatives of our shareholder in relation to our investment in Hickory's, a leading authentic BBQ smokehouse restaurant operator in the UK. The transaction completed, once approved by the board committee, in October 2022. Key elements of the work involved to obtain shareholder agreement included a detailed analysis of the profitability of the business and an explanation of how the investment would underpin Greene King's strategy of growing its reach through compelling brands. It is a family friendly smokehouse and BBQ restaurant business, with a strong focus on food quality with meats slow cooked for up to 12 hours on smokers specially imported from Memphis. Customers are offered unique dining experiences, such as chef's tables, dining verandas, cinemas and children's play areas.

Hickory's is highly complementary to our current portfolio of brands and geographical reach. We plan to leverage its scale and expertise to accelerate the national roll out of the Hickory's brand beyond its North West heartland, with significant growth over time by optimising existing Greene King assets.

PRINCIPAL RISKS AND UNCERTAINTIES

Risk management process

The classification of risks facing Greene King follows a standard methodology used in risk management and considers the likelihood of their occurrence, the scale of potential impact (both financial and reputational) on the business, together with the velocity of risk, being the anticipated time scale that the risk might be realised.

Each divisional executive team and each functional head is responsible for identifying and mitigating risks within their sphere of responsibility. Once the key economic, operational, financial, people and strategic risks have been identified, each division and functional area is then responsible for evaluating current controls in place to manage their risks, drawing up plans to improve controls and manage new or emerging risks. All risks are aligned and evaluated against the group's stated risk tolerance parameters, with mitigating actions designed to bring all risks within these limits. Each key risk has an 'action owner' to ensure that responsibilities are formally aligned in a timely fashion.

To ensure uniformity across the organisation together with continuous improvement of our risk profile and suitable governance, a structured enterprise risk management framework is followed. Through this process, progress of these risk implementation plans is monitored by senior management on a regular basis.

Risk mitigation plans and management of risk is reviewed formally at the Risk Committee where all divisional risks are presented and reviewed throughout the year via a rolling programme. The Internal Audit team have also independently assessed the progress against the approved mitigation strategy. Risk Key Performance indicators are regularly tracked and reported via the Risk Committee.

In June the Group Risk and Assurance Director joined and completed a review of the Risk Management Framework and proposed a number of enhancements which will be implemented in 2023 including development of a set of group level risks for Executive ownership and oversight and a reset of Risk appetite and thresholds.

Principal risks and uncertainties

During the year the priority has been the re-opening of all our venues and recovery from the pandemic. Recovery has been made more difficult due to the economic volatility and uncertainty experienced within the UK and globally. Supply chain disruption has been closely managed to continue to source products. Careful consideration of menu choice and pricing has been under constant review to mitigate inflationary pressures and availability of some products.

The management of safety risks within both our pub estate and brewing remains a high priority. Within our Brewing & Brands division there has been increased focus on the Health, Safety and Environmental management system with improvements on data analysis and reporting, training and awareness and improving safety culture. This year has seen a significant drop in RIDDOR events with 5 incidents compared with 13 and 9 in 2018 and 2019 respectively. Within our managed pubs divisions there has been a constant drive to improve our EHO ratings to achieve 5* across our estate. We successfully met our dartboard performance score with 99.1% of all pubs achieving a Food Hygiene Rating score of 4 or above.

The principal risks and uncertainties facing the business for the last 12 months are captured in more detail in the following table.

Risk area	Mitigation	Changes since last period
Strategic risks – a failure to execute the right strategy	Despite Covid related challenges and uncertainties going into FY22, good progress has been made to further deliver on our group strategy to be the pride of British hospitality, famous for outstanding experiences with the launch of the strategy and five year strategic plan. A strong focus on strategic planning has continued throughout the year. The volatile operating environment has required careful adjustment and prioritisation of commitments now and for the remainder of the strategic planning timeline. The introduction of the transformation Project Management Office (PMO) and Governance Board has been a key risk mitigation. Development and finalisation of the Annual Operating Plan for 2023 has been completed. In recognition of the importance of Environmental, Safety and Governance (ESG) to our business a further strategic driver, 'Environment & Social' has been added and communicated across the business. Several key specialists across the business have formed working groups to develop individual strategies and plans in the 17 key areas of focus for our business. We have also employed specialist consultancy support to develop a detailed list of ESG related risks. Understanding of risks at the strategic and operational level will be used in 2023 to support our ESG targets, ambitions and TCFD reporting. We are working to build a more balanced portfolio, in more segments of the market across value, mainstream and premium spaces and all our work and customer shows there is a compelling case for us to strengthen the potential of the Greene King brand as a pub chain alongside our other brands. The whole process from start to finish will take a number of years. This will sit alongside our Destination Brands division and the Partnership & Venture businesses which operates slightly more independently and pulls on the wider business for support. We have continued to invest in both maintenance and development capital expenditure, with £124.3m spent in our managed divisions in FY22. Our investment in Hickory's in October 2022 underpins our strategy of growing its reach through compelling brands and unlocking value by making the most of each of its sites. Hickory's is highly complementary to Greene King's current portfolio of brands and geographical reach. As part of this transaction, we plan to leverage its scale and expertise to accelerate the national roll out of the Hickory's brand beyond its North West heartland, with significant growth over time	↓

	by optimising our assets. In Pub Partners the business continues to grow its Hive branded Franchise sites ending the year with 28. Business failure rates remained low, with ongoing pandemic recovery support from Greene King. A number of reviews exist to ensure execution is in line with the agreed strategic plan. These include a structured approval processes, monitoring through the Dartboard balanced scorecard, monthly business reviews, a group transformation/IT board, executive board meetings and internal audit reviews.	
Strategic risks – changing consumer trends	Strategic development of our brands will continue to take increasing importance as we navigate recovery through a difficult macro economic and political environment, we continue to monitor and gain customer insight to ensure our work on brand development continues to evolve based on customer expectations. We have segmented the managed pub estate into market brands and will be further developing these brands to create meaningful distinction to deliver growth across the portfolio. Food development contains a greater focus on wellbeing and health to maintain and grow customer relevance. Our work on our ESG agenda is also feeding into thinking on future food offerings. Regular pulse of customer insights provide a measure of customer sentiment and expectation so we can respond tactically to any shift as we move on from the Covid pandemic but continue to see adverse pressures on consumers. Regular reporting and analysis of our market performance, of competitors and market trends is provided both through periodic executive board meetings and across the wider organisation.	↔
Economic and market risks - relating to the state of the economy consumer confidence inflationary headwinds & the removal of government support	We aim to mitigate many of the anticipated cost increases facing the business, such as labour and supply of goods, through procurement and productivity savings, with a particular focus on cross functional co-operation and the use of technology. On procurement we aim to work closely with our key suppliers to reduce costs without impacting the customer offer. We have a well hedged portfolio, with a broad geographic spread of pubs across the country, including in London and the South East, brands covering each of the value, mainstream and premium segments of the market, and a mixture of drink-led and food-led pubs. The biggest unknown at this point remains consumer confidence together with a new inflationary environment and supply chains which are still recovering from the impact of Covid-19 and have also been directly or indirectly impacted by supply issues as a result of the Russian invasion of Ukraine. Whilst consumer confidence grew initially post Covid restrictions, the cost-of-living crisis has continued to impact consumer confidence. Labour remains an area of focus with a labour market continuing to be disrupted post Covid/Brexit and increasing pressures on wage increases. Food inflation has required us to pass on increasing costs to the Customer, menu pricing remains under focus against competitors, increases are beginning to level out but pressures remain high. Energy pricing has been managed through 2022 due to fixing contracts prior to the Russian invasion of Ukraine which has caused severe pricing volatility. There is risk that this will materialise this year, however we hedge and fix rates to guarantee prices where possible to reduce the risk. It is unclear how these headwinds will all manifest across our divisions in 2023 however careful monitoring and management is in place. Scenarios have been modelled and we remain confident we will continue to deliver on our strategic plans. Competitor prices are tracked monthly to measure price inflation versus the market and forecast cost price changes are notified to divisions each quarter. This data is reviewed with divisions each month to decide any changes to our pricing plans.	↑
Operational and people risks - significant data breaches through failure to comply with the GDPR regulations	A wide range of policy, technical, procedural, and operational controls are in place across the business, covering all aspects of the requirements. Compliance is overseen by the data governance committee, chaired by the chief financial officer. The committee is supported by the data protection officer. Subject access requests and other data subject rights-related requests are handled centrally by a specialist team to ensure that legislative requirements are met. Processes are in place to manage data breaches, which are followed up appropriately to ensure that lessons are learned and improvements our controls are made, where appropriate. The great majority of our data breaches are small-scale incidents which do not require notification to the UK data protection regulator. Changes to UK data protection law are under consideration and we are following developments closely to ensure we are able make any necessary adjustments to our control framework promptly, should new legislation be passed.	↔

Operational and people risks – cyber security	We work with specialist third party companies to continuously monitor and evaluate cyber threats to our business. As a result of this evaluation our cyber security programme is constantly adapted to strengthen our technical controls, improve our recovery capability (through both disaster recovery plans and business continuity processes) threat surveillance, patching and user education and to ensure that we continue to retire legacy systems so that our defences remain robust and relevant in the ever-changing threat landscape.	↔
Operational and people risks - the risk of failure among key suppliers and distributors and our own production facilities	We maintain back up plans in case of the failure by or loss of a key supplier, and we expect our key suppliers to maintain disaster recovery plans which we review on a regular basis. Regular monitoring is undertaken of KPIs applicable to both third party suppliers and distributors, with issues flagged for resolution. In the event of a failure in our own production and distribution activities a range of alternative solutions exist to enable us to continue to brew, package and distribute our own beers. Supply chain issues have been a particular feature of the year, particularly as the impact of the Ukraine/Russia conflict continues resulting in shortages of certain products and increasing costs both in transport, food pricing and staff. Inflationary pressures have been actively managed with the managed divisions to ensure the best approach to pricing and menus. With all suppliers we are constantly working through contingency plans around increasing stock, bringing in new suppliers or ensuring our suppliers prioritise Greene King in their production planning.	↔
Operational and people risks – recruitment, retention and development of employees and licensees	The trend has continued of the labour force migrating away from hospitality this year, however, we have started to see some positive movement in relation to overall staff turnover. This is backed up by a positive uptick in our engagement survey results at the end of the year. Attraction remains a key focus and we are working to implement a new Talent Attraction system to support this as well as giving us more robust data and insight. This will be implemented during Q2 of 2023. Our apprenticeship offer remains strong and consistent and supports our ability to both attract and retain team members. This year we rolled out both check-ins and our performance management process to our assistant and kitchen manager populations. This forms part of our commitment to ensuring we have development opportunities in place. We have now taken over 2,000 of our leaders through our leadership development programme Elevate. This is setting up strong foundations to support our teams in having great conversations and driving better retention.	↔
Operational and people risks – compliance with legislation including health and safety, food safety and employment legislation	We have a comprehensive range of formally documented policies and procedures in place, including centrally managed systems of compliance KPI tracking and internal and independent audits to ensure compliance with current legislation and approved guidance. During the year, an independent audit was undertaken around our food supply chain to test the efficacy of food safety assurance which is outsourced to a third party. In addition, legacy exceptional arrangements which permitted limited parts of the managed business to source their own food suppliers was also reviewed & brought under control of the centre, improving governance & supply resilience.	↔
Financial risks – funding requirements	The group is well funded with the principal elements of the group's capital structure being its £900m bank facilities, which were £820m drawn at the year end, a £1,500m revolving loan facility with CKA Holdings UK Limited, which was £311m drawn at the year end, and a long-term asset-backed financing vehicle. The group's £900m bank facilities includes a new £300m external revolving loan facility which was agreed with DBS Bank in November 2022. In April 2022 the revolving loan facility with CKA Holdings UK Limited was extended to November 2024. At the year end the Greene King securitisation had secured bonds with a group carrying value of £1,073.7m (prior period: £1,314.6m) and an average life of seven years (prior period: eight years), secured against 1,473 pubs (prior period: 1,481 pubs) with a group property, plant and equipment carrying value of 1,995.0m (prior period: £1,945.7m). The final Spirit debenture bond was redeemed in September 2022 resulting in the termination of the debenture structure and the release of security over the charged assets. In October 2022 the group's immediate parent, CK Noble (UK) Limited, subscribed for 915 ordinary shares in Greene King Limited for an aggregate subscription price of £915m. These funds were applied to a partial repayment under the group's revolving loan facility with CKA Holdings UK Limited, increasing headroom under that facility to £1,189m.	↓

Financial risks – covenant risks	Long-term strategy and business plans are formulated to ensure that headroom against financial covenants is maintained at a prudent level. Forward looking covenant headroom is reviewed by the CFO on an ongoing basis. Working capital performance is regularly reviewed and closely managed by the CFO. The impact on covenant headroom is considered by management when assessing potential future transactions. Further to the end of the waiver period in respect of the Greene King securitisation in April 2022 all financial covenants have been satisfied and the group does not expect to need to seek further waivers. The group's bank facilities, which are guaranteed by CK Asset Holdings Limited, impose no financial covenants on the Greene King group. Historic covenant breaches in the Spirit debenture for which the group had been unable to obtain a waiver pose no further risk as a result of the redemption of the final Spirit bond in September 2022.	↓
Financial risks – pension scheme funding	The group has two defined benefit (final salary) pension schemes, the Greene King and Spirit scheme, both schemes are closed to future accrual to reduce volatility. Only administrative costs and deficit recovery contributions are incurred going forward. In addition, there is regular monitoring of the schemes' investments to ensure opportunities are taken to de-risk the investment strategy of both schemes. Both schemes finalised their 2021 actuarial valuation during the year. The Spirit scheme is in a funding surplus of £22.5m (30 June 2018: funding surplus of £11m) and therefore continues to not require ongoing funding from the company. The Greene King scheme is in a funding deficit of £13.3m (5 April 2018: funding deficit of £25.3m), and therefore a reduced company contribution of £3.5m per annum (previously £4.5m) has been agreed. These payments are being made into an escrow account as opposed to directly into the scheme to allow the cash to be more easily returned to the Company if it is not required by the scheme.	↓

Change since last period

↑ Increased ↓ Decreased ↔ No change

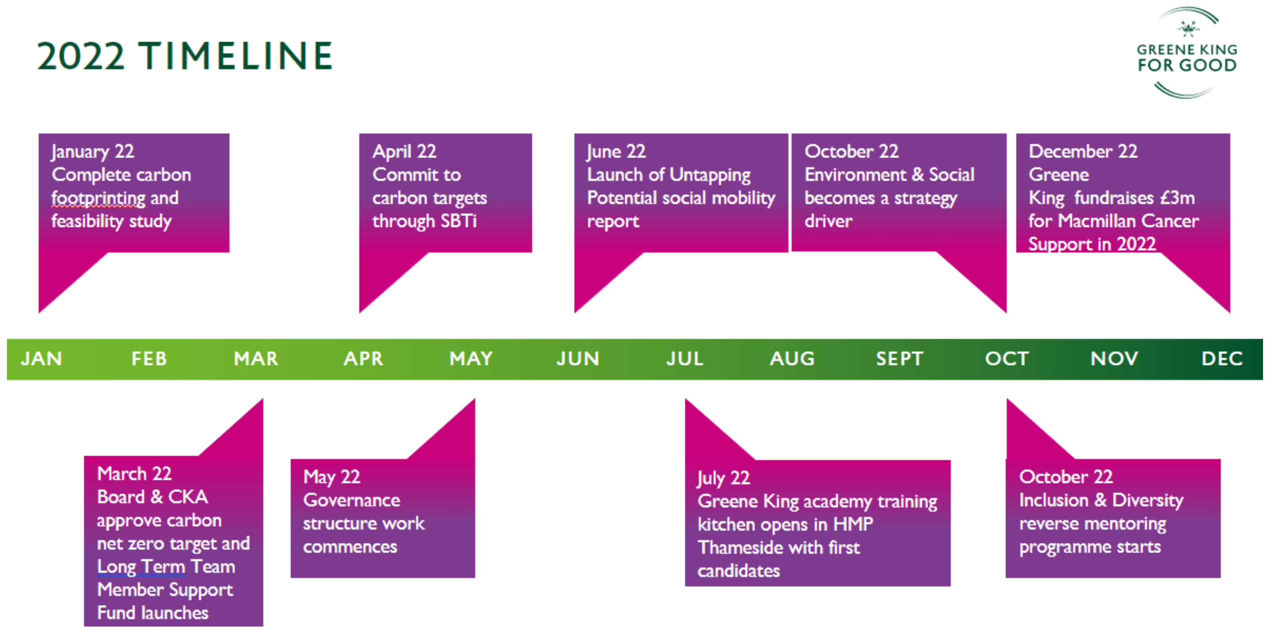
ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Strengthening our commitment

Our vision 'to pour happiness into lives' has a powerful social and environmental purpose at its heart. We've brought people together for generations, our pubs providing a sanctuary to communities - to share good times, laugh, to be themselves, to relax, recharge or to simply reflect. We bring people together with warm welcome to connect and build a sense of belonging, who care about others and the environment around them.

In our annual report of 2021, we referred to 2022 being the year of laying the **foundations** for our environmental social governance (ESG) programme. This followed a year of **discovery** where we shifted our approach from corporate social responsibility to environmental social governance in 2021, completed the mapping of our carbon footprint and set our carbon net zero target – 2040.

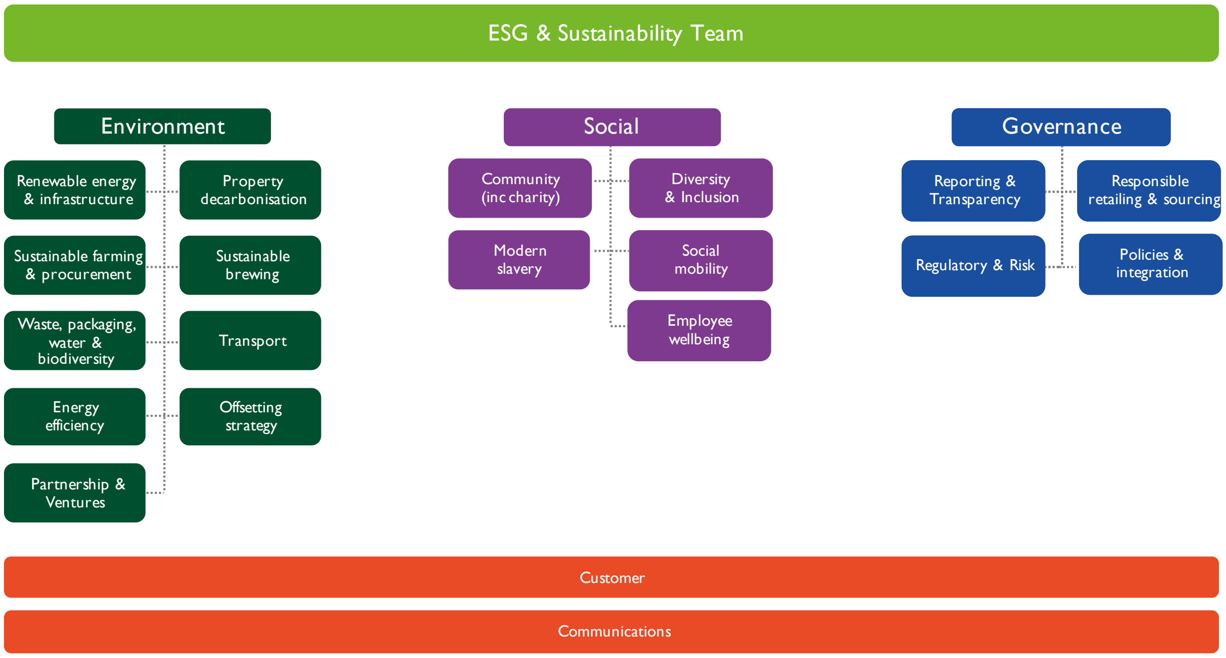
During the course of 2022 we made the commitment to set a near term target of 50% reduction of greenhouse gas emissions across scopes 1, 2 and 3 (direct and indirect emissions) by 2030 and net zero target of 2040 through Science Based Target Initiative (SBTi). In February 2023 these targets were approved by Science Based Targets Initiative. We established an ESG board, added 'Environment & Social' as a new strategy driver, hit a record breaking £3m fundraising in our 10th year in partnership with Macmillan Cancer Support, committed to new social mobility targets in the launch of our Untapping Potential report, expanded our prison leaver programme, Releasing Potential, by opening a training kitchen and academy in HMP Thameside and made progress against our commitments in 'Calling Time on Racism' manifesto, with reverse mentoring and inclusive leadership training.



Role of ESG board and our approach

In 2022 we strengthened our commitment to environment and social sustainability – to switch our business practices so we don't have a negative or unethical impact on world resources and people and do what we can to protect our planet and society for future generations. We need to do this whilst balancing financial growth with environmental care and social wellbeing. It will take time to transition. In the year we laid the first foundations for this change by establishing the governance structure that will underpin our ESG programme.

We firmly believe that to truly reach our goal we must have collective ownership for change, placing environment and social practices at the heart of our business thinking and across every role in the business. In May we established our ESG Board which comprises internal team members and external experts, alongside a working group structure, led by subject experts in our organisation to define our strategic programme delivery, supported by our central ESG & Sustainability team.



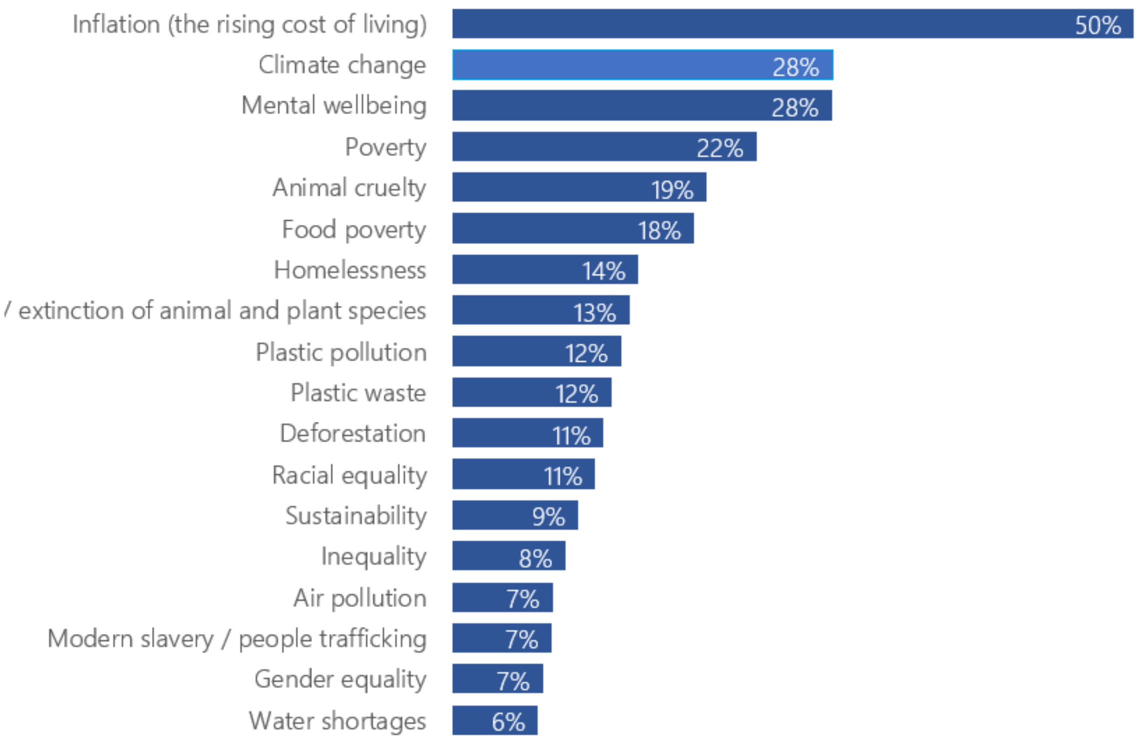
The ESG board is a Committee of the Executive Board whose duties include:

- Oversee the development of the Group's Environmental, Social and Governance strategy
- Identify and approve both short- and long-term Environmental, Social and Governance objectives and KPIs required to deliver the strategy and review reporting
- Review the ESG risk profile at each meeting to ensure that the risks to achieving the objectives are being appropriately managed
- Coordinate and oversee the activities of the ESG working groups and act as an escalation point where required for relevant cross functional working
- Monitor external developments in respect of Environmental, Social and Governance issues and consider any implications for the group
- Develop and maintain the Group's policies and practices in relation to Environmental, Social and Governance matters to ensure they remain effective, compliant with legal and regulatory requirements and industry standards and recommend these to the Exec Board for approval

The Board is chaired by the Chief Communications and Sustainability Officer with main Executive board members the Chief Financial Officer, the Managing Director of Greene King Pubs, our Head of ESG and Sustainability as well as senior leaders from our Marketing and People teams. There is also representation from external consultants The Carbon Trust. Regular reporting back to the Executive Board is done monthly alongside an annual immersion day.

Extensive consumer research, identification and mitigation plans for ESG risk, establishment of governance and development of our roadmap to net zero has been a focus for 2022. In 2023, we will continue to prioritise the development of our detailed strategic delivery plans for our roadmap to net zero, longer term social strategy and social impact and embed environment & social into everyday decision-making across our whole business. We will also deliver key foundational projects including reporting to Taskforce on Climate-Related Financial Disclosures (TCFD), operationalisation of data management and supplier engagement platforms, enhancing our food waste reduction programme and submitting net zero and FLAG targets to SBTi.

We maintain our customer first approach to our Environment & Social strategic driver. In consumer research conducted in November 2022, 1,903 respondents from a representative demographic of the UK population ranked the top five issues that were most important to them. Cost of living scored the highest at 50% with both climate change and mental wellbeing joint second at 28%. What matters most to consumers will remain front and centre of our decision-making across environment & social.



Our Strategy

Environment

The two key focus areas of our net zero strategy are:

- helping our customers to make more sustainable choices, and
- improving our own operations and value chain through net zero targets

We see our role as supporting our customers to reduce their environmental footprint. We can do this in a number of ways. Through adapting our pub environment so that sustainability is its heart, through innovation across our menus and lower carbon dishes and by providing solutions for customers, to reduce food waste at the point of serve. We can also provide them with community assets such as EV chargers in our car parks, enhanced bio-diversity in our gardens, that in turn supports individual wellbeing, through sourcing responsibly so customers visit our pubs in the knowledge our products are of the high standard they expect and through low carbon packaging solutions.

Through our near term Science Based Target and our public commitment to our net zero target we will drive our carbon footprint down, through the procurement of renewable energy and introducing of energy efficiency measures and solutions, as well as working with our suppliers on their emission hotspots and introducing new and innovative circular business solutions.

Social

Our vision has a powerful social purpose at its heart. Our social ambition is to:

- give millions of people better lives, and
- provide good work and opportunities for everyone

We believe in challenging social barriers, creating opportunities for many by welcoming anyone to build a career with us regardless of education or background.

We care and it's what makes us proud.

Despite the continued uncertainty at the beginning of 2022 due to Covid restrictions we made significant progress across our social pillars of charity, community, social mobility, inclusion and diversity and wellbeing.

Governance

Whilst emotional connection is the binding thread through our environment & social strategy and programmes, it is the scientific data led approach that underpins our strategic planning and will drive the change needed to deliver our clear targets.

We made the decision in early 2022 to put climate science at the heart of our environment strategy committing to setting near term and net zero targets through Science Based Targets Initiative, reporting our progress to reducing our GHG emissions across scopes 1, 2 and 3 through our annual report. Our near term targets to reduce GHG emissions across scopes 1, 2 and 3 by 50% by 2030 we are approved by SBTi in February 2023. We have also publicly stated our intention to reach carbon net zero by 2040 and will seek approval for this target via SBTi. Alongside this we remain committed to reducing our food waste in line with Courtauld Agreement by 50% by 2030. In addition to committing to these targets and reporting against them we report ESG data via our parent company CK Assets, listed on Hong Kong stock exchange.

In late 2022 we embarked on a detailed analysis of climate risks and opportunities in line with TCFD and will report findings and mitigation progress from 2023.

Our Commitments

Environment	Social
Reduce absolute scope 1 and 2 GHG emissions 50% by 2030 from a 2019 base year	Raising £18m for charity by 2025 from 2012
Reduce absolute scope 3 GHG emissions 50% by 2030 from a 2019 base year	Add 5,000 new apprentices by 2025, taking us to a total of 20,000
Reduce food waste by 50% by 2030 from a 2019 base year	Support 300 more prison leavers by 2025
Carbon net zero year 2040	Support 100 interns with Special Educational Needs or Educational Health Care Plans into work experience or employment 2025
	Help 1,000 young people from underprivileged backgrounds through The Princes Trust and other partnership programmes
	Increase Black, Asian and minority ethnic representation in the business - by 10% by 2030 including leadership from 6% to 12%, senior managers from 3% to 10% and managers from 4% to 10% by 2030

Review of 2022

Environment

Across our property estate in 2022 we launched the final stage of our LED lighting roll out and installed EV charging in 31 locations providing 71 charge points.

We expanded our Tub2Pub circular recycling scheme in which members of the community are encouraged to drop empty sweet and chocolate tubs after Christmas to our pubs. 24,000 containers were collected in January 2022 and processed by recycling specialists co-crea8, saving over three tonnes of plastic from going to landfill. The granulated plastic is repurposed into garden furniture and monies from the plastic sale were donated to our charity partner, Macmillan Cancer Support.

Our partnership with food waste app Too Good to Go continues to expand providing both a solution to food waste towards the end of trading periods but also freshly cooked food at discounted prices for those in need in the community. Over 180,000 meals were provided through the app from our pubs in the year.

During the year the first forty-five bio-diversity pub garden projects were completed across the estate, which included bulb, tree and sedum roof planting alongside living walls in urban locations and bird boxes and insect hotels.

In our brewing division, progress was made in improving water efficiency with the installation of a loopilator and new centrifuges at Westgate Brewery. Work to switch our forklift truck fleet to all electric commenced and the ISO14001 re-certification audit was successfully completed. A new environmental awareness and behaviour training programme was rolled out through our brewing and distribution business in 2022. At our Belhaven Brewery a new energy efficient kegging line was installed, eliminating the need for transportation of beer for kegging to Bury St Edmunds.

Energy usage and greenhouse gas emissions

The table below has been produced in compliance with the requirements of the Companies Act 2006 (Strategic and Directors' Report) Regulations 2013. In line with recent validation of our near-term Science Based Targets with the SBTi, we are now committed to reporting a full greenhouse gas (GHG) inventory, and for the first time have added our scope 3 emissions into our emissions summary below. Our baseline year has been set as 2019, and this has been compiled with assistance from the Carbon Trust, using the GHG protocol standards. Due to mandatory reporting guidelines, we have quoted scope 2 emissions using both the location-based and market-based approach; Greene King have opted to use the market-based approach in their near-term target setting. The location-based approach uses the average emissions from power generation for the UK power grid as a whole. A market-based approach uses emissions data from the specific electricity tariff used in operations, or if not available, the emissions from the residual UK grid average after removing renewable electricity sources that have been claimed by retail consumers.

Scope 1 relates to the direct emissions from the fuels we use in our breweries, pubs, restaurants, 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. Refrigerant gas and F-gas emissions in respect of our breweries, pubs and restaurants are also included. Scope 2 relates to the indirect emissions associated with the generation of electricity consumed in our sites. We have used the UK government's Greenhouse Gas (GHG) Conversion Factors for Company Reporting for all scope 1 emissions. GHG emissions from refrigeration and air conditioning units have been determined using the simplified material balance method as described in the Environmental Reporting Guidelines 2013.

Scope 3 relates to all other upstream and downstream activities present in our operations, and these emissions have been estimated using a combination of two frameworks. Firstly, where available, verified volume data has been multiplied by a sector specific emissions factor to calculate the annual emissions. Secondly, where volume data is not available, spend data has been multiplied by Environmentally Extended Input/Output data (EEIO) factors. Efforts are being made to improve this data quality, by engaging with our supply chain to understand their product specific emissions factors.

Our total market-based emissions for 2019 were 1,050,580 tonnes of CO2 equivalents, which was split broadly 20% into scope 1 & 2, and 80% in scope 3. For 2021, we have again been assisted by the Carbon Trust in producing our Scope 1, 2 & 3 footprints. Comparisons from 2021 to our 2019 baseline across all three scopes are as follows:

- Scope 1 & 2 emissions fell by 31% using a location-based approach and 23% using a market-based approach. The decline was mainly driven by the impact of closed pubs during the first 4 months of 2021. Alongside this, the emissions factor for location-based electricity reporting dropped by 17% from 2019 (market-based increased by 5%).
- Scope 3 emissions fell by 42% from the 2019 base. Due to the nature of our business, around 80% of our scope 3 emissions sit in Category 1 – Purchased Goods & Services.
    - Food relates to the food sold in our managed pub estate, as well as a small portion of our Pub Partners estate, mainly those in the franchised pub format, including Hive pubs.
    - Drink relates to all alcoholic and non-alcoholic beverages sold across the entirety of Greene King. This includes the emissions from the purchase of raw materials to brew & package our own beer brands, and the purchase of third-party beverages.
    - Other relates to other goods and services needed to run our managed pubs such as IT, marketing, consumables, as well the money spent on repairing and refurbishing our entire pub estate (including Pub Partners).
- The other two material categories in our scope 3 inventory relate to:
    - Downstream leased assets, which represents the assumed scope 1 & 2 emissions from our Pub Partners leased and tenanted businesses. As we are unable to gather accurate data from all of these businesses, our estimated emissions are based on averages from our managed pubs business. It follows therefore, that the drop in emissions in this category correlate to our own scope 1 & 2 emissions reduction.
    - Transportation, which includes all upstream and downstream distribution, and the impact of business travel and employee commuting. The total emissions in this category have reduced, again as a result of closures and reduced trading volumes.

The focus in 2022 has been on establishing a new ESG function and governance structure alongside resuming business trading following two and half years of interruption as a result of Covid trading restrictions. Due to the lengthy closure of pubs, staggered re-openings through 2021, and changes in trade levels, it is difficult to separate out the impact of ongoing energy efficiency schemes. Emissions in 2022 have increased naturally as volumes of drink and food sales move closer to 2019 levels. We are focusing our efforts in 2023 to improve our data quality & governance and introduce data systems to enable quick and easy analysis.

Energy Consumption (kWh) [1]	**2022**	% change to Baseline	2021	Baseline Year 2019
Natural gas	**289,400,400**	-13.9%	248,373,228	336,169,441
Other fuels (e.g. LPG)	**16,138,763**	17.1%	14,855,696	13,781,421
Electricity	**305,857,498**	-7.8%	233,723,402	331,720,720
Total	**611,396,661**	-10.3%	496,952,327	681,671,582

[1] Due to the timing of our reporting, our energy usage may include a small number of estimated or disputed meter reads but represents the most accurate data we have at this time. Therefore, our prior year comparative has been amended to reflect this updating of meter reads.

Emissions (tonnes CO2e)	**Source of emissions**	**2022**	% change to Baseline	2021	Baseline Year 2019
Scope 1 emissions	Natural gas	**52,827**	-14.5%	45,492	61,805
	Other fuels (e.g. LPG)	**3,540**	69.6%	3,289	2,087
	Refrigerants	**5,331**	478.2%	4,218	922
	Brewing process	**3,274**	-20.5%	3,013	4,117
Total direct emissions scope 1		**64,972**	-5.7%	56,011	68,931
Scope 2 emissions	Electricity (location based)	**59,147**	-30.2%	49,626	84,788
Gross emissions (location based)		**124,119**	-19.3%	105,638	153,719
Scope 2 emissions	Electricity (market based)	**131,507**	5.2%	92,644	125,064
Gross emissions (market based)		**196,479**	1.3%	148,656	193,995
Turnover in managed divisions and Brewing & Brands (£m)		**2,004**		1,232	1,761
Scope 1 & 2 tonnes CO2e per £m turnover (market based) [1]		**98.0**	-11.0%	120.7	110.2
Scope 3 emissions	Purchased goods & services:				
	Food	**n/a***	n/a*	191,986	357,656
	Drink	**n/a***	n/a*	112,944	202,147
	Other	**n/a***	n/a*	79,386	133,812
	Total purchased goods & services	**n/a***	n/a*	384,316	693,615
	Fuel production & transportation	**n/a***	n/a*	22,162	29,243
	Upstream transportation	**n/a***	n/a*	38,788	55,241
	Waste generated in operations	**n/a***	n/a*	715	831
	Business travel	**n/a***	n/a*	3,302	2,535
	Employee commuting	**n/a***	n/a*	6,868	23,007
	Upstream leased assets	**n/a***	n/a*	73	-
	Downstream transportation	**n/a***	n/a*	2,200	4,539
	Disposal of sold product	**n/a***	n/a*	3,132	4,628
	Downstream leased assets	**n/a***	n/a*	31,380	42,946
Total indirect emissions scope 3		**n/a***	n/a*	492,937	856,585
Total emissions (location based)		**n/a***	n/a*	598,575	1,010,304
Total emissions (market based)		**n/a***	n/a*	641,593	1,050,580
Group Turnover (£m)		**2,176**		1,342	2,184
Total tonnes CO2e per £m turnover (market based) [2]		**n/a***	n/a*	478.2	481.0

[1] Using combined managed pubs and Brewing & Brands turnover. The vast majority of our scope 1 & 2 emissions are generated in these two divisions.

[2] Using total group turnover.

* Our accreditation from the SBTi for our near-term emissions reduction targets came in early 2023. Having published our Scope 3 emissions data for 2019/20 and 2020/21 in this report for the first time, we will be reporting full scope 1, 2 & 3 emissions on an annual basis from 2022/23 onwards.

Water savings and waste

The increase in water savings and waste detailed in the table below is consistent with increased pub trading in 2022 compared to Covid restricted 2021.

Water	52 weeks up to 1 January 2023	52 weeks up to 2 January 2022
Water saved (m^3)[1]	**179,656**	105,279
Average daily usage saving (m^3)[1]	**492.20**	288.43
Pints of water saved per day	**866,165**	507,573
Water audits	**321**	208
Reduction in billing (ongoing savings)	**£516,332**	£295,155
Refunds achieved	**£370,856**	£61,343

[1] Water saved by identifying, detecting and fixing leaks

Recycling	52 weeks up to 1 January 2023 Tonnes	%	52 weeks up to 2 January 2022 Tonnes	%
Waste diverted on site	**40,052**	**70**	26,296	69
Waste sent to Energy from Waste (EFW)	**11,046**	**19**	9,503	25
Waste sent to Mixed Recycling Facility (MRF)	**5,838**	**10**	2,239	6
Waste sent to Landfill	**468**	**1**	166	-
	57,404	**100**	38,204	100

Social

We made significant progress across our social pillars of charity, community, social mobility, inclusion and diversity and wellbeing despite the continued uncertainty at the beginning of 2022 due to Covid restrictions.

Charity partnership with Macmillan Cancer Support

During 2022 we celebrated our 10th year in partnership with Macmillan Cancer Support. Fundraising takes place throughout the year, through everyday donations via 'Pennies' at the till, our Greene King app and Macmillan menu items. Two key fundraising periods take place in May and during September and October. In May under our theme of '10 years of love for Macmillan' our teams celebrated our milestone year with community fundays. 'Go Big for Macmillan' was the theme throughout September and October when coffee mornings, quizzes, challenges and events were held in our pubs, support centres, breweries and depots. An extraordinary £3m was raised, enough to fund 48 Macmillan professionals. This is the equivalent of £342 raised every hour of 2022, enough each hour to fund a Macmillan nurse for a day (10 hours, inclusive of all costs).

During the year we rolled out Pennies contactless payments across the business and introduced Cancer in the Workplace training for line managers to support team members living with cancer or those who are caring for someone who is.

Our 10-year fundraising total stood at just over £14m at the end of 2022. In recognition of this PubAid and All Party Parliamentary Beer Group hosted a reception in House of Commons presenting Greene King and Macmillan Cancer Support with an award.

Community

Our pubs, breweries, depots and support centres lie in the heart of their communities and provide an important role in bringing people to together around a collective a sense of belonging. No One Alone is our initiative which brings people together, who may be experiencing loneliness or isolation, though group activities at our pubs. These activities are run by our team members in the community, for their community. This year we launched a successful trial of community Christmas day tables at 73 pubs, serving 1,006 complimentary Christmas lunches to those who would otherwise be alone.

Greene King provided £340,000 in cash grants to grassroots and community sports clubs across the United Kingdom through its grassroots sport community scheme, Proud to Pitch In. The scheme provides essential sporting equipment for vital community sports teams, and clubs.

During the year we donated £275,000 of food direct from depots to foodbanks including Bread & Butter Thing, Fareshare and Felix project. The company also donated £50,000 to Disasters Emergency Committee for Ukraine appeal with a further £10,000 as match funding for team member donations. Like many throughout the UK, Greene King employees hosted Ukranian families via the Homes for Ukraine scheme, whilst Greene King provided employment to an additional 113 Ukrainian nationals during 2022. Donations totaling £76,000 were also given to PubAid, Best Bar None, Only a Pavement Away, Pub is the Hub, Merlin Magic Fund and Switchboard.

Social Mobility

In 2022 we launched our Untapping Potential report which highlights the important role that pubs play in creating job opportunities, setting people up for rewarding careers, and allowing them to succeed within their local community. In the report we pledged new social mobility commitments. These are:

- Expand our apprenticeship offer to support 5,000 new apprentices by 2025 and offering even more apprenticeship routes
- Recruit 300 more prison leavers into roles by 2025 through our successful Releasing Potential programme
- Support 100 interns with Special Educational Needs and an Education and Health Care Plan by 2025 through our Supported Internship Programme with Landmarks Specialist College and Mencap
- Establish our first Greene King training kitchen within HMP Thameside – working with the prison to develop a bespoke programme for inmates to train in the kitchen, receive qualifications and be ready to work in hospitality on their release.
- Continue to partner with The Prince's Trust and youth partners to provide the support that 1,000 people need to help them secure a job

During the year we supported 1,500 apprentices, expanding the offer including to those in prison. Greene King became one of the UK's first companies to support the government's new prison apprenticeship scheme. A further 50 prison leavers joined Greene King totaling 158. This includes graduates from the first bespoke Greene King training programme at the new Greene King Academy kitchen in HMP Thameside.

We also launched our Chef Academy during the year which combines our existing Production Chef Apprenticeship, with enrichment days and masterclasses to develop well rounded, expert chefs that are passionate about cooking for a career. Forty-five apprentices completed the Chef Academy course and alongside cookery masterclasses, visited suppliers and farms.

We worked alongside Department of Work and Pensions to deliver Kickstart work placements and promoted opportunities to Ukrainian refugees arriving in the UK.

Our Supported Internship programme continued to go from strength to strength, working with Landmarks College and Mencap to provide work experience to 17 candidates in 2022, a total of 58 since the start of the programme. Thirty of the thirty-four who have completed work experience have been offered permanent employment.

Across our partnerships with The Prince's Trust, Daruma, Street League and through work experience programmes for young people from underprivileged backgrounds, we supported 175 young people.

Inclusion and Diversity

As an organisation we are committed to our journey towards 'Everyday Inclusion', sharing the awareness and lived experiences of minority populations in our business. Our strategic intent is to create an environment where everyone, customers and team members alike, can belong and thrive.

We have four employee led inclusion groups, sponsored by an Executive Board director, representing or as allies of race diversity, women, LGBTQ+ and disability. These groups are Unity, Greene Sky, Village Greene and Ability. Membership in 2022 was 215 in Unity, 268 in Greene Sky, 732 in Village Greene and 133 in Ability.

During the year we launched our Reverse Mentoring programme which flips the normal hierarchy of mentoring and partners senior leaders who hold a wide influence over the organisation with members of the diverse communities that the company is working hard to support and increase representation of.

The executive board and senior leaders across the business embarked on the scheme with thirty partnerships undertaken in 2022. Each programme lasts seven months and encourages positive, challenging and engaging conversations, all designed to inspire and to support leaders across the business to understand their role in making marginal gains in changing Greene King's culture for the better. Inclusive leadership training was provided to all leadership teams along with "I'm not prejudiced…but", Think Inclusion e-module and regular topic training for all team members.

Other programmes we have hosted or supported include Reach Next Generation, Wisdom Exchange, National Windrush Organisation gala and Plan B Conference.

Wellbeing

An employee wellbeing programme of activities was provided throughout the year focused on both mental and physical wellbeing. All team members have access to a range of benefits including discount in our managed pubs of 33% off food and drink, discount for up to 10 friends or family of 15%, 50% off for overnight stays at Greene King Inns, access to the Wagestream app, giving employees financial education and the option to access earnings quickly if needed, our Employee Assistance Programme, and a range of external discounts for team members.

In September 2022, we launched a new maternity offer entitling hourly paid team members to 13 weeks' full pay, plus then 13 weeks' half pay, then 13 weeks statutory maternity pay, and salaried team members to 26 weeks' full pay, then 13 weeks' statutory maternity pay.

We also launched our Team Member Support Scheme, administered independently on our behalf by Licensed Trade Charity, to support any team members facing financial hardship. £150,000 was donated to Licensed Trade Charity to administer grants in 2022.

Awards

During 2022 we were honoured to have been awarded:

- Britain's Most Admired Companies 2021 from Britian'sMostAdmiredCompany.com
- Rainbow Honours Award for Village Greene
- PRCA Dare Diversity and Inclusion award for International Women's Day campaign
- Financial Times & Statista Climate Leaders 2022
- Better Society Awards 2022 – Best scheme to encourage staff fundraising – long-term partners with Macmillan Cancer Support
- Better Society Awards 2022 – Supportive Employer
- Princess Royal Training Awards 2022 (for enhancing social mobility through apprenticeships)
- Princess Royal Special Commendation for demonstrating a significant commitment to inclusion and diversity
- PETA's Vegan Food Awards 2022 – Best Fish dish – Omni Golden Fillets
- East of England Regional Apprenticeship Awards - Macro Employer of the Year
- Greene King - Diversity Champion of the Year at the Peach 20/20
- All Party Parliamentary Beer Group and PubAid recognising 10 years of fundraising for Macmillan

Modern Slavery

Providing good and safe work is a priority at Greene King and in 2022 we began to put the building blocks in place to enhance our team members understanding and awareness of modern slavery. We embarked on extensive learning for our supply chain and procurement teams with support from Slave Free Alliance (SFA). In addition, we welcomed the SFA to showcase the challenges and risks of modern slavery to our executive board, leadership and senior management team members at our conference to launch of our new strategy driver. Online training for modern slavery was rolled out to all new team members and is available as a webinar on our training platform to all. Recommended actions to enhance checks in our supplier value chain will be introduced as part of our Environment & Social supplier engagement programme in 2023. Our modern slavery statement can be viewed at https://www.greeneking.co.uk/modern-slavery-statement/

Responsible Retailing

We offer customer advice on our website and in our pubs on responsible drinking, through our scheme, Enjoy Responsibly. The Enjoy Responsibly page shares government guidance, tips on responsible drinking and the ways we are responsible retailers. We follow as a minimum, the 'Challenge 21' scheme or 'Challenge 25' in our pubs and our tills remind our team members behind the bar to check. Every new bar team member has to complete our training before they can serve alcohol, so that they understand their legal responsibilities and obligations, as well as the impact of alcohol on children.
We operate the Ask for Angela scheme across our managed pub estate supporting our teams with training to help customers if they find themselves in vulnerable situations.

Animal Welfare

Greene King has a robust animal welfare policy which covers all meat, poultry and fish, regardless of country of origin. We require all suppliers to comply with EU and UK animal welfare legislation including adherence to the Five Freedoms and sustainable fishing and statutory livestock codes of practice (including specific animal welfare standards for each species) as a minimum.

Antibiotics and Pharmaceutical Usage

The routine prophylactic use of antibiotics and pharmaceuticals across all species supplied to Greene King is not permitted.

Allergens and gluten

We provide full allergen information in all our pubs, restaurants and hotels, so that our customers can make informed meal choices according to diet and preferences. We're proud of our expanding non-gluten range and vegan range and our teams all have allergens training.

Healthy eating

Our aim is to serve great-tasting, quality food and give customers a wide range of menu options that support a healthy balanced diet. All of our menus offer a variety of dishes, with a range of calorie options published, to allow customers to make informed decisions. Our children's menus offer fresh fruit, salad and fresh vegetables, in line with the five-a-day government recommendation. Across Hungry Horse's children's menus we have worked alongside the Food Foundation to bring in more choices for parents around vegetable portions. In 2022 in our first year of reporting we were delighted to be awarded top marks for implementing our pledges.

We are also signed up to eight pledges in the Government's Public Health Responsibility Deal. In 2022 we introduced calorie labelling on our menus for customers.

NON-FINANCIAL INFORMATION

The statements below reflect our commitment to, and management of, people, communities, the environment, human rights, anti-bribery and anti-corruption in the last 12 months.

Communities and Environment

We have a history in supporting communities throughout England, Scotland and Wales with our pubs providing important spaces for communities to come together, connect and feel a sense of belonging. We have a number of community and charity programmes which are highlighted on page 30 of this report. In 2022 Environment & Social was added a strategy driver for our business and we committed to, and had validation of, our near term science-based targets. During 2022 a governance structure was established with our ESG board overseeing group Environment and Social related policies. Our environmental commitments are highlighted on page 27 of this report. Details of our greenhouse gas ("GHG") emissions are on page 28 and 29.

Employees and statement on employee engagement

It is our policy to ensure that team members are selected, recruited, developed, remunerated and promoted on the basis of their skill and suitability for the work performed. The company is committed to treating all team members fairly and equally and will endeavour to provide workplace adaptions and training for team members or candidates who have a disability and team members who become disabled during their employment. Our Inclusion and Diversity policy ensures the equal treatment of all employees and our disability agenda is further supported by an Employee Led Inclusion Group, Ability that raise awareness and support for all employees living with visible and non-visible disabilities. Further details can be found in our Environmental, Social & Governance section on page 31 and our Section 172 statement on page 17.

Our established internal communications channels push information across the organisation regularly and we facilitate an anonymous annual engagement survey and half year pulse survey to listen to employee feedback and facilitate actions plans to drive change where needed. In line with our Diversity and Inclusion we apply a diversity data reporting overlay to identify further the engagement levels of our marginalised communities and take action where needed.

Our balance scorecard tool is updated and communicated periodically showing our employees performance levels overall for the organisation including people, financial and customer metrics. This is linked to managers bonus payments and is further communicated and embedded at conferences, townhalls and in regular cascades to senior leadership teams.

Human rights

While we do not have a formal human rights policy, we are absolutely committed to conducting business with integrity and fairness.

Our code of conduct provides that all team members are to be treated with respect, and their health, safety and basic human rights protected and promoted. It covers a range to topics including modern slavery, working conditions, child labour, discrimination and anti-corruption and anti-bribery measures, including a specific anti-bribery policy.

We expect our suppliers and sub-contractors to comply with the provisions of our code or meet the same standard through their own code.

Our whistleblowing policy for our team members encourages them to report any wrongdoing, including human rights violations such as modern slavery or human trafficking and any concerns with bribery. Our teams are able to report via a confidential external supplier email or hotline and no significant issues were raised through these during the year. Further details can be found in our Environmental, Social & Governance section on page 32 and see the full modern slavery statement on our website.

Data privacy – the company has paid particular attention to embedding data privacy into the company's ways of working through a governance committee, incident management, training and awareness, quality control and a change programme that focuses on privacy by design and default. For an explanation of how the company uses the personal data see the privacy notice at www.greeneking.co.uk/privacy.

Anti-corruption and bribery

All forms of bribery are prohibited across all Greene King operations, in all of our locations and in all of our interactions with any third parties, and whether by Greene King employees or by third parties on our behalf. We do not make payments or give cash equivalents or anything else of value to secure an unfair business advantage, nor do we make payments or provide any benefit to government officials to obtain business, favourable treatment or to avoid a fine or penalty. We do not permit the payment of facilitation payments or such like to speed up the performance of government officials.

We have in place online anti-bribery training for our support centre staff and pub managers which explains the law and the responsibility each team member faces. Our gifts and hospitality policy requires that all gifts must be recorded on a central database. Gifts over £250 also requires line manager's approval and anything more than £5,000 requires permission from the Chief Executive.

The strategic report has been approved by the directors and signed on behalf of the directors by:

R Smothers
Director

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE REPORT

Background

The board has adopted a governance code appropriate to its status as a large private company incorporated in the UK and a member of a Hong Kong listed group.

The arrangements, which were adopted by the board in February 2020, are broadly based on the Wates Principles for large private companies but have been adapted to recognise the company's position as a member of the CKA group. The principles adopted by the board cover the following six pillars:

Purpose and leadership

This requires the board to ensure that the company has a strategy and business model to generate long-term sustainable value, that the company operates with a clear sense of purpose and collective vision, and that the company's values, strategy and culture align with its purpose.

Managing the Covid crisis and the return to business as usual were significant areas of focus for the board and the company during the early part of the year, with the impact of the Omicron variant of Covid unknown at the beginning of the year. At the same time, a number of additional challenges emerged which affected the trading environment for the wider hospitality sector and the company throughout the year. These included inflationary and cost of living pressures, staff shortages, and supply chain issues, many arising as a result of the war in Ukraine. Consumer confidence dipped significantly, exacerbated by a squeeze on disposable income (particularly driven by increased fuel and utility costs).

In response to the challenges facing the company, and with the support of the board:

- high priority was placed on creating the best possible culture, working environment and career opportunities for team members, as recruiting, motivating and retaining team members was seen as critical to the company's future success in an environment where unemployment was at its lowest level in decades, and many were reassessing their lifestyles and careers. The ongoing roll out of the Greene King Unleashed programme continued, with over 2,000 leaders in the business participating in the Elevate leadership programme. The foundational projects begun in 2021 for the Greene King brand, customer engagement, segmentation and pricing continued, as part of the five-year strategic plan, alongside the launch of new initiatives including Crafted Pubs and Hive pubs and our modern beer portfolio, and the roll out of enhanced Wi-Fi to our pubs as part of our aim to create the pub network of the future. We also undertook a significant capex programme to redevelop 168 pubs; and
- The "Dartboard" balanced scorecard was used to maximise the performance of the business in a balanced way. Additionally, the board supported the addition of a new strategic driver, environment and social, to recognise the increasing importance of these issues to the business.

Considerable time was also devoted to preparing plans and priorities for 2023.

Board composition

This focuses on the role of the chair and requires the board to provide constructive challenge to management to ensure effective decision making.

The chairman of the company, George Magnus, has considerable experience as a non-executive director and chairman. His role is key to ensuring that the board provides effective decision making and constructive challenge to management. The non-executive directors of the board, appointees of CKA, are experienced executives with a range of skills and experience, including in the retail sector. All directors are given the opportunity to ask questions of management during board meetings and to offer their insight and experience where relevant.

Director responsibilities

This requires the board to establish and maintain corporate governance practices that provide clear lines of accountability and responsibility to support effective decision making.

The board has approved a schedule of responsibilities setting out matters requiring board approval. These include the following:

- approval of the long-term strategy of the company;
- extension of the group's activities into new businesses or geographic areas and approval of all significant corporate acquisitions or disposals by the group;
- approval of major changes to the group's corporate structure;
- approval of the annual statutory accounts;
- changes to the governance structure of the group and;
- approval of new board appointments.

The board has also approved the formation of a board committee whose initial members comprise representatives from CKA and the chief executive officer, chief financial officer and chief people and transformation officer of Greene King. This has been delegated the authority to make certain decisions relating to the management and operation of the company, as set out in the schedule of responsibilities approved the board. Matters for which the board committee has responsibility include:

- approval of the annual operating and capital expenditure budgets;
- approval of the funding strategy and debt structure;
- approval of any significant changes to the group's management and control structure;
- the declaration or recommendation of dividends;

- approval of any significant changes in accounting policies or practices;
- determining the remuneration policy of the company and;
- approval of executive pay.

The board has also approved an authorities matrix setting out a range of operational controls, which is reviewed on an annual basis.

The authority matrix was updated during the year to reflect a number of changes designed to improve both governance and operational efficiency.

During the year, in addition to the regular board meetings, the board approved the Greene King Limited annual report in April 2022, and the allotment in October of new shares in the company to CK Noble (UK) Limited, its immediate parent company, for consideration of £915m in connection with a refinancing of debt within the CKA group.

The board committee passed a number of resolutions including the acquisition of a number of companies associated with the Ubiquitous Chip restaurant in Glasgow, the acquisition of the Hickory's restaurant group in October, various banking related approvals and the approval of an escrow arrangement for payments to the Greene King pension scheme.

The board committee also approved the annual budget for 2023 in a meeting held in November. Certain members of the board (who are not board committee members) also attended the meeting and were provided the opportunity to ask any questions and provide their views.

Opportunity and risk

This requires the company to ensure that management promotes the long-term sustainable success of the company by identifying opportunities to create and preserve value and establishing oversight for the identification and mitigation of risks. During the year the board was kept fully informed of the actions taken by management to deal with the Covid pandemic and then the increasing cost pressures facing the business following the Ukraine war. Details of the risks facing the business are set out in the section on principal risks and uncertainties section within the strategic report.

The board is also kept appraised on a regular basis of opportunities for the business, whether they relate to potential acquisitions or other corporate activity, new areas of business or other opportunities to improve the customer or employee offer.

In addition to the risk management processes outlined in the principal risks and uncertainties section of this report, the key elements of the group's internal control framework are:

- the governance arrangements outlined above;
- the group's defined management structure with suitable authority limits and responsibilities, staffed by appropriate personnel;
- regular updates for the board on strategy;
- a comprehensive planning and financial reporting procedure including annual budgets and a longer-term strategic plan, both of which will be reviewed and approved by the board;
- ongoing monitoring by both the board and senior management of performance against budgets, through the periodic reporting of detailed management accounts and key performance indicators;
- ongoing monitoring by the board of compliance with financial covenants;
- a centralised financial reporting system and close process, with controls and reconciliation procedures designed to facilitate the production of the consolidated accounts;
- clearly defined evaluation and approval processes for acquisitions and disposals, capital expenditure and project control, with escalating levels of authority (including board approval for major acquisitions and disposals), detailed appraisal and review procedures and post-completion reviews;
- review of retail operational compliance by the retail internal audit team responsible and other analytical and control procedures facilitated by the EPOS till system;
- audits conducted by the group internal audit function of business and functional control environments; and
- documented policies to cover data protection, modern slavery, bribery and whistle-blowing and regular updates on any incidents.

Remuneration

This requires the board to ensure that executive remuneration structures are aligned to the long-term sustainable success of the company, taking into account pay and conditions elsewhere in the company and that remuneration for directors and senior managers should be aligned with performance, behaviours and the achievement of the company's purpose, values and strategy.

The board committee has responsibility for approving changes to executive pay and also approved the bonus and long-term incentive plan ("LTIP") structures for 2022. Bonus arrangements not only reflect achievement against the scorecard but also individual behaviours and the achievement of the company's strategic objectives.

Stakeholder relationships and engagement

This requires the board to ensure that the company conducts meaningful engagement with stakeholders, including the workforce, and has regard to their views when taking decisions.

Further details of how the company has managed relationships and engaged with its various stakeholders can be found in the section on Directors duties under section 172 Companies Act 2006, in the strategic report.

DIRECTORS' REPORT

The directors present their annual report together with the audited financial statements for the 52-week period ended 1 January 2023. The company has chosen in accordance with section 414C(11) of the Companies Act 2006 to include matters of strategic importance in the strategic report which otherwise would be required to be disclosed in the directors' report.

The company

Greene King Limited is a private limited company with registered office at Westgate Brewery, Bury St. Edmunds, Suffolk, IP33 1QT.

Results and dividends

The adjusted profit before tax and adjusting items was £66.9m for the 52 weeks to 1 January 2023 (prior period: loss £113.8m) and statutory profit before tax was £98.4m (prior period: loss £70.4m). The directors do not recommend the payment of a dividend to its sole shareholder this period.

Directors and their interests

The directors during the period and to the date of this report, except stated otherwise, were as follows:

N Mackenzie, chief executive officer

R Smothers, chief financial officer

D Dyson, non-executive director

A Hunter, non-executive director

L C G Ma, non-executive director

P Macnab, non-executive director

G Magnus, non-executive chairman

Future developments

The group intends to continue to operate in the areas of management of public houses and the retailing of beers, wines, spirits and soft drinks for the foreseeable future. Details of any events occurring after the year end are set out in note 31 in the financial statements.

Financial instruments

The group's policy on the use of financial instruments is set out in note 23 to the financial statements.

Charitable Donations

Charitable donations made during the year are disclosed on page 30.

Political Donations

The Greene King group makes no political donations (prior period: nil).

Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the strategic review. The financial position of the group, its cash flows, liquidity position and borrowing facilities are described in the financial review. In addition, note 21 to the financial statements includes the group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit and liquidity risk.

The directors have made enquiries into the adequacy of the company's financial resources through a thorough review of the financial commitments over the short and medium term and their impact on the company's cash flow.

The principal elements of the group's financing structure are:

- Unsecured bank facilities totalling £900m, comprising £820m of revolving credit facilities and a £80m term loan facility, which are guaranteed by the group's ultimate parent and mature in 2024 and 2025;
- the Greene King securitisation of secured bonds with a group carrying value of £1,073.7m (prior period: £1,314.6m) and an average life of eight years (prior period: nine years), secured against 1,473 pubs (prior period: 1,481 pubs) with a group carrying value of £2.0bn (prior period: £2.0bn); and
- liquidity facilities totalling £224.0m (prior period: £239.0m) which can only be used for the purpose of meeting the debt service obligations of the group's securitisation vehicles should there ever be insufficient funds available from operations to meet such payments. There were no drawdowns under these facilities during the year and the drawn down amount at the year-end was £nil (prior period: £nil).

The undrawn facilities at the end of the financial year were £1,269.0m and at the end of Period 3 on 2 April 2023 were £1,299.0m.

Based on the group's current strategic plan the directors expect to meet the covenants of the Greene King securitisation during the period of 12 months from the date of approval of the financial statements.

For the purpose of the group's going concern assessment, the directors have modelled a remote scenario whereby the group generates just over half of its budgeted EBITDA but continues with budgeted capex for a 12 month period. Under this scenario the group has access to adequate funding to support the business through a period of at least 12 months from the date of the approval of the financial statements. However, in the absence of any support this deterioration in performance would likely result in breaches of both the two-quarter and four-quarter lookback FCF DSCR covenants within its securitised borrowings without mitigating actions. In this scenario the directors could elect to prevent the breach by providing financial support to the Greene King securitisation through lower operating cost re-charges from other group companies.

The directors have a reasonable expectation that the group has sufficient resources to continue in operational existence for the period of at least 12 months from the date of approval of these financial statements. Accordingly, the directors continue to adopt a going concern basis for the preparation of the financial statements.

Directors' and officers' indemnity insurance

The group has taken out insurance to indemnify the directors of the company against third party proceedings whilst serving on the board of the company and of any subsidiary. This cover indemnifies all team members of the group who serve on the boards of all subsidiaries. These indemnity policies subsisted throughout the period and remain in place at the date of this report.

Statement as to disclosure of information to auditor

The directors who were a member of the board at the time of approving this report are listed above. Having made enquiries of the company's auditor, the directors confirm that:

- to the best of their knowledge and belief, there is no information relevant to the preparation of this report of which the company's auditor is unaware; and
- they have taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Deloitte LLP have audited these financial statements and have confirmed their willingness to continue as auditors going forwards. They will therefore be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

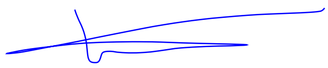
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with International Financial Reporting standards ('IFRS') in conformity with the requirements of the Companies Act 2006, and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101'). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and the profit or loss of the group for that period.

In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- In respect of the group financial statements, state whether IFRSs as adopted by the UK have been followed, subject to any material departures disclosed and explained in the financial statements.
- Provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group's financial position and performance;
- In respect of the parent company financial statements, state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and/or the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006 and with, respect to the group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This report was approved by the board on 25 April 2023 and signed on its behalf.



R Smothers

Director

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GREENE KING LIMITED

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Greene King Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 1 January 2023 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the group income statement;
- the group statement of comprehensive income;
- the group and company balance sheets;
- the group cash flow statement
- the group and company statements of changes in equity; and
- the related notes 1 to 45.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and United Kingdom adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the group's industry and its control environment and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and internal audit about their own identification and assessment of the risks of irregularities, including those that are specific to the group's business sector.

We obtained an understanding of the legal and regulatory frameworks that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, UK tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included data protection regulations, licensing regulations, the pub code, occupational health and safety regulations, employment regulation, responsible drinking regulations and planning and building legislation.

We discussed among the audit engagement team including relevant internal specialists such as tax, valuations, pensions, IT and financial instruments regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our procedures performed to address it are described below:

- In regard to revenue recognition and the accuracy of managed pub revenue, we used data analytics to test the reconciliation of revenue in the pubs' till systems to cash receipts and to identify where adjustments have arisen between the pubs' till systems and the accounting system; these adjustments were then tested for accuracy by tracing to relevant supporting documentation. We also assessed the design and implementation of relevant controls around the recognition of revenue.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.
In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, and reviewing internal audit reports, and reviewing correspondence with HMRC.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Tim Steel

Timothy Steel (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, UK
25 April 2023

GROUP INCOME STATEMENT

FOR THE 52 WEEKS ENDED 1 JANUARY 2023

	Note	**52 weeks 1 January 2023 £m**	52 weeks 2 January 2022 £m
Revenue	3	**2,176.4**	1,341.6
Operating costs	4	**(1,927.2)**	(1,277.8)
Operating profit		**249.2**	63.8
Analysed as:			
Adjusted operating profit		**192.6**	18.6
Adjusting items	5	**56.6**	45.2
Finance income	7	**8.4**	6.2
Finance cost	7	**(159.2)**	(140.4)
Net finance cost		**(150.8)**	(134.2)
Analysed as:			
Adjusted net finance costs		**(125.7)**	(132.4)
Adjusting items	5	**(25.1)**	(1.8)
Profit/(Loss) before tax		**98.4**	(70.4)
Tax	9	**(30.5)**	38.6
Analysed as:			
Adjusted tax		**(10.8)**	55.5
Adjusting items	5	**(19.7)**	(16.9)
Profit/(Loss) attributable to equity holders of parent		**67.9**	(31.8)

The notes on pages 47 to 93 form part of these financial statements. All activities derive from continuing operations.

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE 52 WEEKS ENDED 1 JANUARY 2023

	Note	52 weeks 1 January 2023 £m	52 weeks 2 January 2022 £m
Profit/(Loss) for the period		**67.9**	(31.8)
Other comprehensive income to be reclassified to the income statement in subsequent periods			
Cash flow hedges:			
– Gains/(Losses) on cash flow hedges taken to other comprehensive income		**93.6**	33.7
– Transfers to income statement on cash flow hedges		**25.4**	20.8
Deferred tax on cash flow hedges	9	**(29.8)**	(1.7)
		89.2	52.8
Items not to be reclassified to the income statement in subsequent periods			
Remeasurement gains/(losses) on defined benefit pension schemes	8	**(86.9)**	83.3
Deferred Tax on remeasurement (gains)/losses	9	**21.7**	(23.0)
		(65.2)	60.3
Other comprehensive income for the period, net of tax		**24.0**	113.1
Total comprehensive income for the period, net of tax		**91.9**	81.3

The notes on pages 47 to 93 form part of these financial statements.

GROUP BALANCE SHEET

AS AT 1 JANUARY 2023

	Note	1 January 2023 £m	2 January 2022 £m
Non-current assets			
Property, plant and equipment	11	**3,888.4**	3,717.9
Investment property	12	**3.3**	-
Right-of-use assets	21	**526.9**	529.2
Intangibles	10	**16.9**	7.4
Goodwill	10	**924.7**	905.2
Financial assets	14	**8.5**	5.7
Trade and other receivables	17	**1.5**	-
Post-employment assets	8	**55.2**	136.8
		5,425.4	5,302.2
Current assets			
Inventories	16	**53.9**	48.6
Financial assets	14	**5.0**	3.5
Income tax receivable	9	**-**	8.9
Trade and other receivables	17	**137.5**	146.3
Prepayments		**17.4**	22.8
Cash and cash equivalents	18	**87.5**	95.0
		301.3	325.1
Property, plant and equipment held for sale	19	**5.1**	5.6
		306.4	330.7
Total assets		**5,731.8**	5,632.9
Current liabilities			
Borrowings	22	**(54.1)**	(1,536.9)
Lease liabilities	21	**(26.3)**	(35.7)
Derivative financial instruments	23	**(1.4)**	(10.7)
Trade and other payables	20	**(412.4)**	(353.1)
Income tax payable	9	**(1.4)**	-
Provisions	24	**(4.2)**	(4.7)
		(499.8)	(1,941.1)
Non-current liabilities			
Borrowings	22	**(2,148.4)**	(1,552.4)
Lease Liabilities	21	**(538.0)**	(557.1)
Derivative financial instruments	23	**(23.0)**	(102.1)
Deferred tax liabilities	9	**(67.3)**	(31.8)
Provisions	24	**(3.9)**	(3.9)
		(2,780.6)	(2,247.3)
Total liabilities		**(3,280.4)**	(4,188.4)
Total net assets		**2,451.4**	1,444.5

	Note	**1 January 2023** £m	2 January 2022 £m
Issued capital and reserves			
Share capital	25	**39.0**	39.0
Share premium	26	**1,184.4**	269.4
Merger reserve	26	**752.0**	752.0
Capital redemption reserve	26	**3.3**	3.3
Hedging reserve	26	**(18.3)**	(107.5)
Retained earnings		**491.0**	488.3
Total equity		**2,451.4**	1,444.5

The notes on pages 47 to 93 form part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 25 April 2023.

They were signed on its behalf by:

Richard Smothers
Director

GROUP CASH FLOW STATEMENT

FOR THE 52 WEEKS ENDED 1 JANUARY 2023

	Note	**52 weeks 1 January 2023 £m**	52 weeks 2 January 2022 £m
Operating activities			
Operating profit		**249.2**	63.8
Operating adjusting items	4	**(55.1)**	(45.2)
Depreciation adjusting items	4	**(1.5)**	-
Depreciation	4	**127.7**	136.9
Amortisation	4	**0.8**	0.8
Adjusted EBITDA[1]	3	**321.1**	156.3
Working capital and other movements	27	**27.4**	80.1
Interest received		**0.5**	1.2
Interest paid		**(134.9)**	(124.2)
Tax (paid)/received		**(3.5)**	(0.2)
Net cash flow from operating activities		**210.6**	113.2
Investing activities			
Acquisition of subsidiaries (net of cash acquired)	13	**(34.7)**	-
Freehold reversions	11	**(8.9)**	(99.9)
Purchase of property, plant and equipment	11	**(172.6)**	(82.8)
Purchase of Investment property	12	**(0.2)**	-
Advances of trade loans	14	**(4.6)**	(2.2)
Repayment of trade loans	14	**4.8**	5.0
Sales of property, plant and equipment		**19.9**	0.6
Net cash flow from investing activities		**(196.3)**	(179.3)
Financing activities			
Receipt from settlement of derivative financial liabilities	28	**8.6**	-
Repayment of borrowings	28	**(494.6)**	(347.1)
Advance of borrowings	28	**496.5**	411.0
Repayments of lease liabilities	28	**(31.8)**	(48.8)
Net cash flow from financing activities		**(21.3)**	15.1
Net decrease in cash and cash equivalents		**(7.0)**	(51.0)
Opening cash and cash equivalents	18	**94.5**	145.5
Closing cash and cash equivalents	18	**87.5**	94.5

1. Adjusted EBITDA represents earnings before interest, tax, depreciation, amortisation and adjusting items.

The notes on pages 47 to 93 form part of these financial statements.

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE 52 WEEKS ENDED 1 JANUARY 2023

	Note	Share capital £m	Share premium £m	Merger reserve £m	Capital redemption reserve £m	Hedging reserve £m	Retained earnings £m	Total equity £m
At 3 January 2021		**39.0**	**269.4**	**752.0**	**3.3**	**(160.3)**	**459.8**	**1,363.2**
Loss for the period	3	-	-	-	-	-	(31.8)	(31.8)
Other comprehensive income:								
Actuarial losses on defined benefit pension schemes (net of tax)	8,9	-	-	-	-	-	60.3	60.3
Net gain on cash flow hedges (net of tax)		-	-	-	-	52.8	-	52.8
Total comprehensive income		-	-	-	-	52.8	28.5	81.3
At 2 January 2022		**39.0**	**269.4**	**752.0**	**3.3**	**(107.5)**	**488.3**	**1,444.5**
Profit for the period	3		-	-	-	-	67.9	67.9
Other comprehensive income:								
Actuarial gain on defined benefit pension schemes (net of tax)	8,9	-	-	-	-	-	(65.2)	(65.2)
Net gain on cash flow hedges (net of tax)		-	-	-	-	89.2	-	89.2
Total comprehensive income		**-**	**-**	**-**	**-**	**89.2**	**2.7**	**91.9**
Issue of share capital	25	**-**	**915.0**	**-**	**-**	**-**	**-**	**915.0**
At 1 January 2023		**39.0**	**1,184.4**	**752.0**	**3.3**	**(18.3)**	**491.0**	**2,451.4**

The notes on pages 47 to 93 form part of these financial statements.

NOTES TO THE ACCOUNTS

FOR THE 52 WEEKS ENDED 1 JANUARY 2023

1 BASIS OF PREPARATION

Corporate information

The consolidated financial statements of Greene King Limited for the period ended 1 January 2023 were authorised for issue by the board of directors on 25 April 2023. Greene King Limited is a private company limited by shares incorporated and domiciled in England and Wales.

Statement of compliance

The group's financial statements have been prepared in accordance with United Kingdom adopted International Financial Reporting Standards (IFRS) in conformity with the requirements of the Companies Act 2006 as they apply to the financial statements of the group for the 52 weeks ended 1 January 2023 (prior period: 52 weeks ended 2 January 2022). The financial statements have been prepared on the historical cost basis, except for financial instruments as explained in the accounting policies below.

Basis of preparation

The consolidated financial statements have been prepared in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRS (UK). They are presented in millions of pounds sterling, with values rounded to the nearest hundred thousand, except where otherwise indicated.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Greene King Limited, its subsidiaries and Greene King Finance plc, Spirit Issuer plc, Greene King Finance Parent Limited and Spirit Issuer Parent Limited. Greene King Finance plc and Spirit Issuer plc are structured entities set up to raise bond finance for the group.

The Law Debenture Intermediary Corporation plc holds the shares of Greene King Finance Parent Limited under a declaration of trust for charitable purposes. The rights provided to the group through the securitisation give the group the power over this company and the ability to use that power to affect its exposure to variable returns from them. Wilmington Trust SP Services (London) Limited holds the shares of Spirit Issuer Parent Limited under a declaration of trust for charitable purposes. The rights provided to the group through the Debenture give the group the power over this company and the ability to use that power to affect its exposure to variable returns from them. As Greene King Limited has full control over these entities, they are fully consolidated. The financial statements of subsidiaries are prepared for the same reporting period as the parent company with adjustments made to their financial statements to bring their accounting policies in line with those used by the group. As such, the directors of Greene King Limited consider that these companies are controlled by the group, as defined in IFRS 10 'Consolidated Financial Statements' and hence for the purpose of the consolidated financial statements they have been treated as subsidiary undertakings.

The results of subsidiaries are consolidated from the date of acquisition, being the date on which the group obtains control, and continue to be consolidated until the date that such control ceases. Intercompany transactions, balances, income and expenses are eliminated on consolidation.

Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the strategic review. The financial position of the group, its cash flows, liquidity position and borrowing facilities are described in the financial review. In addition, note 21 to the financial statements includes the group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit and liquidity risk.

The directors have made enquiries into the adequacy of the company's financial resources through a thorough review of the financial commitments over the short and medium term and their impact on the company's cash flow.

The principal elements of the group's financing structure are:

- Unsecured bank facilities totalling £900m, comprising £820m of revolving credit facilities and a £80m term loan facility, which are guaranteed by the group's ultimate parent and mature in 2024 and 2025;
- the Greene King securitisation of secured bonds with a group carrying value of £1,073.7m (prior period: £1,314.6m) and an average life of eight years (prior period: nine years), secured against 1,473 pubs (prior period: 1,481 pubs) with a group carrying value of £2.0bn (prior period: £2.0bn); and
- liquidity facilities totalling £224.0m (prior period: £239.0m) which can only be used for the purpose of meeting the debt service obligations of the group's securitisation vehicles should there ever be insufficient funds available from operations to meet such payments. There were no drawdowns under these facilities during the year and the drawn down amount at the year-end was £nil (prior period: £nil).

The undrawn facilities at the end of the financial year were £1,269m and at the end of Period 3 on 2 April 2023 were £1,299.0m.

Based on the group's current strategic plan the directors expect to meet the covenants of the Greene King securitisation during the period of 12 months from the date of approval of the financial statements.

For the purpose of the group's going concern assessment, the directors have modelled a remote scenario whereby the group generates just over half of its budgeted EBITDA but continues with budgeted capex for a 12 month period. Under this scenario the group has access to adequate funding to support the business through a period of at least 12 months from the date of the approval of the financial statements. However, in the absence of any support this deterioration in performance would likely result in breaches of both the two-quarter and four-quarter lookback FCF DSCR covenants within its securitised borrowings without mitigating actions. In this scenario the directors could elect to prevent the breach by providing financial support to the Greene King securitisation through lower operating cost re-charges from other group companies.

The directors have a reasonable expectation that the group has sufficient resources to continue in operational existence for the period of at least 12 months from the date of approval of these financial statements. Accordingly, the directors continue to adopt a going concern basis for the preparation of the financial statements.

New accounting standards, amendments and interpretations adopted by the group

The following new standards, interpretations and amendments to standards are mandatory for the group for the first time for their annual reporting period commencing 3 January 2022.

Those standards and interpretations include:

- Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before intended use
- Amendments to IFRS 3 – Reference to the conceptual framework
- Amendments to IAS 37 – Onerous contracts – cost of fulfilling a contract
- Annual improvements to IFRS Standards 2018 -2020

The group has considered the above new standards and has concluded that they do not have a material effect.

Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted; however, the group has not early adopted them in preparing these consolidated financial statements. It is the group's view that none of the new standards or amendments will have a significant impact on the group's consolidated financial statements.

- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current
- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting
- Amendments to IAS 8 – Definition of Accounting Estimates
- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IFRS 10 and IAS 28 – Sales or contribution of assets between an investor and its associate or joint venture

Significant accounting judgments and estimates

Significant accounting judgments

In the course of preparing the financial statements, the key judgments made in the process of applying the group's accounting policies are detailed below:

Adjusting items

Management uses a range of measures to monitor and assess the group's financial performance. These measures include a combination of statutory measures calculated in accordance with IFRS and alternative performance measures. The alternative performance measures represent the equivalent IFRS measures but are adjusted to exclude items that management considers would prevent comparison of the group's performance both from one reporting period to another and with other similar businesses. Management believes that these alternative performance measures provide useful additional information about the group's performance and are consistent with how the business performance is measured internally by the chief decision maker.

The classification of items excluded from profit before adjusting items requires judgment including consideration of the nature, circumstances, scale and impact of transaction. The group's definition of items excluded, together with further details of adjustments made, is provided within the accounting policy section, note 2.

Determining the lease term of contracts with renewal and termination options – Group as Lessee

The group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The group has several lease contracts that include extension and termination options. The group applied judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the group reassesses the lease term if there is a significant event or change in circumstances that is within its controls and affects its ability to exercise or not to exercise the option to renew or to terminate. The total potential effect of these clauses has been disclosed in note 21.

Significant accounting estimates

The areas of estimation that have a significant risk of resulting in material adjustments to carrying amounts of assets and liabilities are detailed below:

Impairment of property, plant and equipment, intangible assets and right-of-use assets

IFRS requires management to perform impairment tests annually for indefinite lived assets (Goodwill), and for finite lived assets (property, plant and equipment, right-of-use assets and other intangible assets), if events or changes in circumstances indicate that their carrying amounts may not be recoverable.

Impairment testing requires management to judge whether the carrying value of assets can be supported by the net present value of future cash flows that they generate. Calculating the net present value of the future cash flows requires estimates to be made in respect of short-term and long-term growth rates, and the adoption of a suitable discount rate. Short-term growth rates are based on the board approved strategy plan. The long-term growth rate has been based on expected industry returns which is slightly below the forecast long-term UK inflation rate. The discount rate is based on the group's WACC and is applied across all reporting segments as risk factors are considered to be similar.

Changes to the long-term growth rate or discount rate used, could significantly affect the group's impairment charge (and reversal) recognised in the income statement and the overall value of assets held at the balance sheet date. Management has provided analysis of the sensitivity to these key assumptions in note 11.

The cashflows used in the impairment exercise have been aligned to the group's 5-year strategy plan. Further details are provided in notes 11 and 21.

Useful economic life of Property, plant and equipment

The depreciation charge for an asset is derived using estimates of its expected residual value and useful economic life.

Residual values of property are determined with reference to current market property trends. If residual values are lower than estimated, an impairment of asset value and reassessment of future depreciation charge may be required.

For deferred tax purposes, residual values of property, plant and equipment are used as estimated sales proceeds (and offset against tax base cost) when calculating the contingent gains or losses that would arise if the property were sold at a given date.

Determination of the incremental Borrowing rate – Group as a Lessee

IFRS 16 requires lease liabilities to be discounted at the interest rate implicit in the lease, however if this cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate (IBR). Management have applied the interest rate implicit in the lease when readily available, when this is not, management have applied an IBR as detailed below.

IBR is required to be calculated at the inception of the lease or where there is a change in lease term. Management have also elected to view the assets within portfolios for the calculation of IBR rather than applying this to every lease.

Management have used the following methodology to calculate the applicable IBR:

- determined the risk-free interest rate taking into account relevant factors such as term of the lease and economic environment;
- adjusted the risk-free interest rate to reflect the level of indebtedness of the entity and, where available, reflected recent third-party financing used in the entity;
- finally, the length of the lease was factored into the correlation between the term of the risk-free rate and term of the lease.

Taxation

The group's tax charge is the sum of the total current and deferred tax charges. The calculation of the group's tax charge involves estimation and judgment in respect of following items:

Recognition of deferred tax asset and liabilities

The group has exercised significant accounting estimation and judgment in the recognition of deferred tax liabilities in respect of property, plant and equipment. Significant accounting estimates and judgements include those used to determine the amount of net book value of property, plant and equipment to which the initial recognition exemption applies, the calculation of the tax base on sale (which is subject to certain restrictions under tax law) and the offsetting of inherent losses against inherent gains where tax losses are expected to be utilised against future profits and gains.

Corporate Interest Restriction

The following significant judgements and estimates have been used to calculate the current and deferred tax balances relating to Corporate Interest Restriction:

- As statutory accounts are not available, group accounts have been used to estimate Net Tax Interest Expense and Tax EBITDA on an entity basis.
- Following on from the CKA acquisition the group has relied on estimates provided by CKA, CKA's assertions that the group should adopt the Fixed Ratio methodology and that the group should not suffer restrictions unrelated to the group.

Pension liabilities

Management uses estimates when determining the group's liabilities and expenses arising for defined benefit pension schemes.

The present values of pension liabilities are determined on an actuarial basis and depend on actuarial assumptions. Key assumptions have been identified as the discount rate adopted, implied inflation rate and assumed life expectancy. Any change in these assumptions will impact on the carrying amount of pension liabilities, with further details on assumptions adopted and related sensitivity disclosed in note 8.

The group has determined that when all members have left the scheme, any surplus remaining would be returned to the company in accordance with the trust deed. As such the full economic benefit of the surplus under IAS 19 is deemed available to the company and is recognised in the balance sheet.

2 SIGNIFICANT ACCOUNTING POLICIES

Property, plant and equipment

Property, plant and equipment is stated at cost or deemed cost on transition to IFRS, less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset.

Freehold land is not depreciated. Freehold and long leasehold buildings are depreciated to their estimated residual values over periods up to 50 years, and short leasehold improvements are depreciated to their estimated residual values over the shorter of the remaining term of the lease or useful life of the asset.

There is no depreciable amount if residual value is the same as, or exceeds, book value.

Plant and equipment assets are depreciated over their estimated lives which range from 3 to 20 years.

Residual values, useful lives and methods of depreciation are reviewed for all categories of property, plant and equipment and adjusted, if appropriate, at each financial year end.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Profit or loss on derecognition is calculated as the difference between the net disposal proceeds and the carrying amount of the asset and is included in the income statement in the year of derecognition.

Intangible assets

Brand intangibles

Brand intangible assets recognised on acquisition are amortised on a straight-line basis over their estimated useful lives (15 years) within operating costs.

Investment property

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss. Rental income from investment property is recognised as "other services" (note 3) on a straight-line basis over the term of the lease.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. The choice of measurement of non-controlling interests, either at fair value or at the proportionate share of the acquiree's identifiable net assets, is determined on a transaction-by-transaction basis. Acquisition costs incurred are taken to the income statement.

The group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

When the group acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

Any contingent consideration to be transferred to the vendor is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which are deemed to be an asset or a liability are recognised in the income statement.

If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the acquisition date fair value of the consideration transferred and the amount recognised for the non-controlling interest over the net identifiable amounts of the assets acquired and liabilities assumed in exchange for the business combination. Assets acquired and liabilities assumed in transactions separate to the business combinations, such as the settlement of pre-existing relationships or post-acquisition remuneration arrangements, are accounted for separately from the business combination in accordance with their nature and applicable IFRS. Identifiable intangible assets, meeting either the contractual-legal or separability criteria, are recognised separately from goodwill. Contingent liabilities representing a present obligation are recognised if the acquisition date fair value can be measured reliably.

If the aggregate of the acquisition date fair value of the consideration transferred and the amount recognised for the non-controlling interest is lower than the fair value of the assets, liabilities and contingent liabilities and the fair value of any pre-existing interest held in the business acquired, the difference is recognised in the income statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, any goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment

Property, plant and equipment and Right-of-use assets

Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash inflows independent of the cash inflows of other groups of assets. For this purpose, this has been identified as individual sites.

An assessment is made at each reporting date as to whether there is an indication of impairment. If an indication exists, the group makes an estimate of the recoverable amount of each cash-generating unit (CGU). An asset's or cash-generating unit's recoverable amount is the higher of its fair value less costs of disposal and value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

An impairment loss is recognised where the recoverable amount is lower than the carrying value of assets. If there is an indication that any previously recognised impairment losses may no longer exist or may have decreased, a reversal of the loss may be made only if there has been a change in the estimates used to determine the recoverable amounts since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount only up to the carrying amount that would have resulted, net of depreciation, had no impairment loss been recognised for the asset in prior periods.

Impairment losses and any subsequent reversals are recognised in the income statement within operating costs.

Details of the impairment losses recognised in respect of property, plant and equipment are provided in note 11 and right-of-use assets in note 21.

Goodwill

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash-generating units (or groups of cash-generating units) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which goodwill is allocated represents the lowest level within the group at which goodwill is monitored for internal management purposes and cannot be larger than an operating segment before aggregation.

Impairment is determined by the recoverable amount of an operating segment. Where this is less than the carrying value of the operating segment, an impairment loss is recognised immediately in the income statement. This loss cannot be reversed in future periods.

Financial instruments

Financial instruments are recognised when the group becomes party to the contractual provisions of the instrument and are derecognised when the group no longer controls the contractual rights that comprise the financial instrument, normally through sale or when all cash flows attributable to the instrument are passed to an independent third party.

Classification, measurement and impairment

Financial assets

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade and other receivables that do not contain a significant financing component are measured at transaction price determined under IFRS 15.

Subsequently, the group classifies its financial assets as measured at:

- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit or loss

The classification depends on the financial asset's contractual cash flow characteristics and the group's business model for managing them.

The group's financial assets measured at amortised cost include financial assets (trade loans), trade and other receivables and cash and cash equivalents.

Financial assets are trade loans to publicans who purchase the group's beer and liquor. Trade loans that are held for the collection of contractual cash flows and the cash flows received from them are solely payments of principal, and interest on the principal amount outstanding is subsequently carried at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses.

Interest revenue on the trade loans is recognised in the income statement. Any gain or loss on derecognition is recognised in the income statement. There will be derecognition of trade loans when the group has no reasonable expectation of recovering the financial asset in its entirety or a portion thereof.

For financial assets held at amortised cost, an estimate of a 12-month expected credit losses (ECLs) are recognised as an impairment provision upon recognition of a new free trade loan; and at each reporting date, an assessment is made to determine if there has been a significant increase in credit risk since initial recognition. In cases where this is evident, lifetime expected credit losses are used as the basis for the impairment provision, otherwise the group measures the loss allowance for the financial asset at an amount equal to a 12-month expected credit loss.

Lifetime expected credit loss represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In turn, 12-month expected credit loss represents the portion of lifetime expected credit losses that is expected to result from default events on a financial instrument that are possible within 12-months after the reporting date.

Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The group holds trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

For trade receivables, the group adopts a simplified approach in calculating expected credit losses. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The group utilises a provision matrix that has been designed based on historically observed default rates adjusted by a forward-looking estimate that includes the probability of a worsening economic environment within the next year.

The group assesses a financial asset in default when contractual payments are 90 days past due. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Details about the group's calculation of the loss allowance are provided in note 23.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Financial liabilities

The group classifies all financial liabilities as subsequently measured at amortised cost, except for derivatives that are subsequently measured at fair value.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at fair value of the consideration received, net of issue costs. After initial recognition, interest-bearing loans and borrowings are measured at amortised cost using the effective interest method.

Trade payables

Trade payables are non-interest bearing and are stated at their nominal value.

Derivative financial instruments and hedge accounting

The group uses interest rate swaps to hedge its exposure to interest rate fluctuations on its variable rate loans, notes and bonds.

Interest rate swaps are initially measured at fair value, if any, and carried on the balance sheet as an asset or liability. Subsequent measurement is at fair value and the movement is recognised in the income statement unless hedge accounting is adopted. For interest rate swaps where hedge accounting is not applied, the fair value movement is analysed between pre-adjusted finance costs and adjusted finance costs.

Pre-adjusted finance costs include cash payments or receipts on the interest rate swaps so as to show the underlying fixed rate on the debt with the remaining fair value movement (which is generally the movement in the carrying value of the swap in the period) reflected as an adjusted item. For derivatives acquired at a non-zero fair value (e.g. on acquisition) the amortisation of the initial fair value is recognised in pre-adjusted finance costs to offset the cash payments or receipts.

Hedge accounting

To qualify for hedge accounting the hedge relationship must be designated and documented at inception. Documentation must include the group's risk management objective and strategy for undertaking the hedge and formal allocation to the item or transaction being hedged. The group also documents how it will assess the effectiveness of the hedge and carries out assessments through periodic prospective effectiveness testing to ensure that:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from the economic relationship; and
- the hedge ratio is the same as that resulting from actual quantities of hedged items and hedging instruments used for risk management

Hedges can be classified as either fair value (hedging exposure to changes in fair value of an asset or liability), or cash flow (hedging the variability in cash flows attributable to an asset, liability or forecast transaction). The group uses certain of its interest rate swaps as cash flow hedges.

Cash flow hedge accounting

The effective portion of the gain or loss on an interest rate swap is recognised in Other comprehensive income (OCI), whilst any ineffective portion is recognised immediately in the income statement.

Amounts recognised in OCI are transferred to the income statement in the same period that the financial income or expense is recognised, unless the hedged transaction results in the recognition of a non-financial asset or liability whereby the amounts are transferred to the initial carrying amount of the asset or liability.

When a hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting, amounts previously recognised in OCI are held there until the previously hedged transaction affects the income statement. If the hedged transaction is no longer expected to occur, the cumulative gain or loss recognised in OCI is immediately transferred to the income statement.

Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid 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.

Finance costs and income

Finance costs are expensed to the income statement using the effective interest method. Finance income is recognised in the income statement using the effective interest method.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method.

At the reporting date, inventories are assessed for impairment. If inventories are impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Statement of Comprehensive Income.

Property, plant and equipment held for sale

Property, plant and equipment is classified as held for sale only if it is available for sale in its current condition, management is committed to the sale and a sale is highly probable and expected to be completed within one year from the date of classification. Property, plant and equipment classified as held for sale is measured at the lower of carrying amount and fair value less costs of disposal and is no longer depreciated or amortised.

Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation.

Provisions are discounted to present value, where the effect of the time value of money is material, using a pre-tax discount rate that reflects current market estimates of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

Pensions and other post-employment benefits

Defined benefit pension schemes

The group operates two defined benefit pension schemes which require contributions to be made into separately administered funds. The cost of providing benefits under the schemes is determined separately for each plan using the projected unit credit actuarial method on an annual basis. Remeasurement gains and losses are recognised in full in the group statement of comprehensive income in the period in which they occur.

When a settlement or curtailment occurs the obligation and related scheme assets are remeasured, and the resulting gain or loss is recognised in the income statement in the same period.

Net interest on the net defined benefit liability/(asset) is determined by multiplying the net defined benefit liability/(asset) by the discount rate both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability/(asset) during the period as a result of contributions and benefit payments.

The defined benefit asset or liability recognised in the balance sheet comprises the present value of the schemes' obligations less the fair value of scheme assets. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the schemes.

Defined contribution pension schemes

Contributions to the group's defined contribution pension schemes are charged to the income statement as they become payable.

Revenue

Generally, revenue represents external sales (excluding taxes) of goods and services, net of discounts. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and is measured at the fair value of consideration receivable, excluding discounts, rebates, and other sales taxes or duty relating to brewing and packaging of certain products.

The group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money.

Premium, Urban and Venture, Local Pubs and Destination Food Brands

Food and drink

Revenue is recognised at the point at which food and drinks are provided based on till receipts taken in our licensed estate. Promotional discounts are recorded at point of sale. Revenue is reported on product sales net of VAT and discounts applied.

The performance obligation is satisfied upon the delivery of the food and drink and payment of the transaction price is due immediately when the customer purchases the food and/or drink.

Other services

Accommodation revenue is recognised on a daily basis based on occupancy at the agreed price (net of discount and VAT). Machine income is recognised, in the group's capacity as agent, where net takings are recognised as earned on the group's proportion of machine proceeds in the period of sale.

The performance obligation is satisfied at the point the service is provided and payment is generally due at the end of the guest stay at the accommodation.

Pub Partners

Drink/product sales

The group supplies tenants with a variety of products recognising the sale upon delivery to the pub. At this point the tenant is solely responsible for stock management and no refunds are given for out of date products, passing all risks and rewards of ownership to the tenant.

The tenancy agreement may also include volume incentives in the form of retros, which are deemed to be related transactions and therefore the cost of retro is recognised simultaneously, provided that the cost can be measured reliably. The net of the proceeds from sale and the expected retro is disclosed as revenue. The accrued value for rebates payable is included within other payables.

Rental income

The group recognises rental income on a straight-line basis over the term of the lease, as the performance obligation is satisfied over time, based on the contractual terms of the lease agreement.

Machine income

Machine income is recognised, in the group's capacity as agent, where net takings are recognised as earned on the group's proportion of machine proceeds in the period of sale.

Franchise arrangements
The group has a number of franchise arrangements with its tenants, where the group controls the goods and services before they are transferred to the customer and accordingly revenue is recognised gross by the group.

Brewing & Brands

Brewing & Brands drink revenue is recognised upon delivery date, net of VAT and duty and discounts applied. Export revenue is recognised on export sales based on the invoice date. Products are shipped on a 'free on board' basis, with risk and rewards of ownership being transferred, and performance obligation satisfied, from the group upon shipment rather than the receipt by the customer. The export revenue is immaterial to the group therefore no information about geographical regions has been provided as the group's activities are predominantly domestic.

Supplier rebates

Supplier rebates are included within operating profit as they are earned as there is no significant uncertainty. The accrued value at the reporting date is included within other receivables.

Government Grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the group will comply with all attached conditions. Amounts received are recognised net within the income statement as income or a reduction to expenses. Grant accounting has been applied for Business rates (note 4) and the Job Retention Scheme (note 6) launched as part of HM Government's response to the Covid-19 pandemic.

Leases

Group as lessee

For any new contracts entered into, the group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration'. To apply this definition, the group assesses whether the contract meets all of the following criteria:

- the contract contains an identified asset, which is either explicitly identified in the contact or implicitly specified by being identified at the time the asset is made available to the group

- the group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract

- the group has the right to direct the use of the identified asset throughout the period of use. The group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between repayment of the lease liability and finance cost. The finance cost is charged to the income statement over the lease term to produce a constant periodic rate of interest on the outstanding lease liability balance. The right-of-use asset is depreciated over the shorter of the asset's expected useful life and the lease term on a straight-line basis unless the lease is expected to transfer ownership of the underlying asset to the group in which case the asset is depreciated to the end of the useful life of the asset.

The lease liability is initially measured as the present value of future lease payments, discounted using the interest rate implicit in the lease. Where this rate is not determinable, the incremental borrowing rate is used, which is the interest rate the entity would have to pay to borrow the amount necessary to obtain an asset of similar value, in a similar economic environment with similar terms and conditions.

The right-of-use asset is initially measured at cost, comprising the initial value of the lease liability, any lease payments made (net of any incentives received from the lessor) before the commencement of the lease, any initial direct costs and any restoration costs.

For changes to existing contracts such as fair market rent reviews or other modifications, a remeasurement is recorded in both right-of-use asset and lease liability based upon the net present value of the incremental change of cashflows discounted at the IBR.

Right of use assets ("ROUA") are measured at either:

- their carrying amount as if IFRS 16 had been applied since the lease commencement date, discounted by the group's incremental borrowing rate as at 29 April 2019. The group has applied this methodology to the majority of its property leases where sufficient historical information has been available to facilitate this.

- An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. This has been applied to a small number of property leases where it was not possible to ascertain sufficient historical data to enable a retrospective calculation. This method has also been applied to the group's other assets.

Each right-of-use asset is depreciated over the shorter of its useful life and the lease term on a straight-line basis unless the lease is expected to transfer ownership of the underlying asset to the group in which case the asset is depreciated to the end of the useful life of the asset.

Payments in respect of leases of either short-term, low-value or based on variable rental payments continue to be charged to the income statement on a straight-line basis over the lease term.

Covid-19-related rent concessions

The group has applied Covid-related rent concessions – Amendment to IFRS 16. The group applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the Covid-19 pandemic are lease modifications. The group applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the group chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the group assesses whether there is a lease modification.

Group as lessor

Leases in which the group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases for which the group is a lessor are classified as operating leases.

Merger reserve

The merger reserve represents capital contributions received and amounts recognised on the acquisition of Spirit Pub Company Limited being the difference between the value of the consideration and the nominal value of the shares issued as consideration.

Taxes

Income tax

The income tax charge comprises both the income tax payable based on profits for the period and the deferred income tax. It is calculated using taxation rates enacted or substantively enacted by the balance sheet date and is measured at the amount expected to be recovered from or paid to the taxation authorities.

Income tax relating to items recognised in OCI and equity are recognised in OCI and equity respectively.

Deferred tax

Deferred tax is provided for using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying values in the financial statements.

Deferred tax is recognised for all temporary differences except where the deferred tax arises from the initial recognition of goodwill (for taxable temporary differences) or of an asset or liability in a transaction that is not a business combination that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss or, in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences and carry forward of unused tax losses only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured, on an undiscounted basis, at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to offset income tax assets and income tax liabilities and they relate to the same taxable entity and same tax authority and when it is the intention to settle the balances on a net basis.

Deferred tax relating to items recognised in OCI and equity are recognised in OCI and equity respectively.

Uncertain tax positions

A current tax provision is recognised when the group has a present obligation as a result of a past event and it is probable that the group will be required to settle that obligation. Tax benefits are not recognised unless it is probable that the benefit will be obtained, and tax provisions are made if it is probable that a liability will arise. The group reviews its uncertain tax positions each period in order to determine the appropriate accounting treatment.

Adjusting items and adjusted profitability measures

Management uses a range of measures to monitor and assess the group's financial performance. These measures include a combination of statutory measures calculated in accordance with IFRS and alternative performance measures (APMs). The income statement includes the following adjusted measures of profitability:

- Adjusted operating profit/loss;
- Adjusted finance costs and;
- Adjusted tax.

Management believes that APMs provide useful additional information about the group's performance.

These measures represent the equivalent IFRS measures but are adjusted to exclude items that management considers would prevent comparison of the group's performance both from one reporting period to another and with other similar businesses. Adjusting items are not defined under IFRS. Adjusting items are classified as those which are separately identifiable by virtue of their size, nature or expected frequency and therefore warrant separate presentation or allow a better understanding of the underlying performance of the business. Presentation of these measures are not intended to be a substitute for or intended to promote them above statutory measures.

The group's income statement provides a reconciliation of the adjusted profitability measures, excluding adjusting items to the equivalent unadjusted IFRS measures. Adjusting items are then further detailed in note 5 to the financial statements.

Items that are considered to be adjusting and that are therefore separately identified in order to aid comparability may include the following:

- profits or losses resulting from the disposal of a business or investment;

- costs incurred in association with business combinations, such as legal and professional fees and stamp duty, that are excluded from the fair value of the consideration of the business combination;

- one-off restructuring and integration costs that are incurred either following a business combination or following a restructuring of the group's support functions. These costs can be significant and would prevent year-on-year comparability of the group's trading if not separately identified;

- impairment charges/(reversals) in respect of tangible and intangible assets;

- one-off past services charges in relation to guaranteed minimum pension benefits;

- revaluation (gain)/losses on investment property;

- finance costs or income resulting from gains or losses upon the settlement of interest rate swap and bond liabilities and from cumulative gains or losses recycled in full to the income statement where the swaps have been terminated. These amounts may be significant and are separately identified as the instruments they relate to would no longer form part of the group's ongoing capital structure;

- fair value gains and losses on the ineffective element of cash flow hedges and fair value movements in respect of derivatives held at fair value through profit and loss. Such items are separately presented as movements may be both significant and volatile;

- significant and/or one-off tax settlements in respect of prior periods (including any related interest), and the tax impact of the items identified above and movements on the licensed estate are included as adjusting items. These items are separately identified to allow management and investors to separately understand tax charges relating to in-year ongoing activity and what relates to prior periods;

- one-off costs relating to the outbreak of a pandemic, to include the costs of write off of obsolete stock, increase in the expected credit loss of trade debtors and free trade loans, and other costs directly attributable to either the closure of pubs during the outbreak period or preparing the sites for reopening;

- employee costs and other legal and professional fees incurred in relation to restructuring cost associated with changes to management, group refinancing activities and defending uncertain tax positions

- profit or loss on the disposal of property, plant and equipment, where the group disposes of properties that it no longer considers meet the ongoing needs of the business. These profits or losses could be significant and volatile and are not reflective of the group's ongoing trading results;

- gains or losses resulting from the settlement of liabilities in respect of the group's pension schemes;

- insurance compensation received to meet the costs of restoring sites damaged by fire. Such compensation may be receivable over a lengthy time period and be of a large total amount;

- finance costs or income for the recycling to the income statement of cumulative gains or losses relating to settled swaps previously taken to the hedging reserve where the recycling occurs over the same period during which the hedged forecast cash flows affect profit or loss;

- the impact of changes in the statutory tax rates;

- the impact of changes to the tax base cost of group's licensed estate and indexation; and

- other adjustments in respect of prior periods' tax arising from finalising the tax returns for earlier periods and rolled over gains on the licensed estate.

3 SEGMENT INFORMATION

The group has five reportable segments which are based on the information presented to the chief executive, who is considered to be the chief operating decision maker. No aggregation of segments has been performed.

The five segments are largely organised and managed separately according to the nature of products and services provided, distribution channels and profile of customers. The segments include the following businesses:

Premium, Urban and Venture: Premium and urban managed pubs and venture businesses

Local Pubs: Wet-led managed pubs

Destination Food Brands: Food-led managed pubs

Pub Partners: Leased, tenanted and franchised pubs

Brewing & Brands: Brewing, marketing and selling beer

Brewing & Brands revenue disclosed is solely in relation to third parties.

52 weeks 1 January 2023	**Premium, Urban and Venture** £m	**Local Pubs** £m	**Destination Food Brands** £m	**Pub Partners** £m	**Brewing & Brands** £m	**Corporate** £m	**Total operations** £m
Revenue	502.0	535.6	757.9	172.6	208.3	-	2,176.4
Analysed as:							
Goods							
– Drink	346.6	357.6	293.6	116.9	208.3	-	1,323.0
– Food	127.5	158.1	424.3	2.7	-	-	712.6
	474.1	515.7	717.9	119.6	208.3	-	2,035.6
Services							
– Other services[1]	27.9	19.9	40.0	53.0	-	-	140.8
Adjusted EBITDA[2]	112.1	84.4	87.3	81.3	29.7	(73.7)	321.1
Adjusted operating profit/(loss)	80.6	57.2	46.8	68.9	20.6	(81.5)	192.6
Adjusting operating items	19.5	6.8	25.7	6.2	5.7	(7.3)	56.6
Lease interest	(9.5)	(4.4)	(3.6)	(1.1)	(1.0)	(1.0)	(20.6)
Net finance costs	-	-	-	-	-	-	(130.2)
Income tax charge	-	-	-	-	-	-	(30.5)
Segment profit/(loss) for the period[4]	90.6	59.6	68.9	74.0	25.3	(89.8)	67.9
Balance sheet							
Segment assets	1,635.8	1,208.6	1,482.1	883.6	225.4	153.6	5,589.1
Unallocated assets[3]	-	-	-	-	-	-	142.7
Total assets	1,635.8	1,208.6	1,482.1	883.6	225.4	153.6	5,731.8
Segment liabilities	(299.7)	(194.3)	(188.2)	(42.0)	(123.7)	(136.9)	(984.8)
Unallocated liabilities[3]	-	-	-	-	-	-	(2,295.6)
Total liabilities	(299.7)	(194.3)	(188.2)	(42.0)	(123.7)	(136.9)	(3,280.4)
Net assets	1,336.1	1,014.3	1,293.9	841.6	101.7	16.7	2,451.4
Other information:							
PPE and ROUA additions	46.8	45.3	71.7	27.4	30.3	17.0	238.5
Adjusted depreciation and amortisation	(31.5)	(27.2)	(40.5)	(12.4)	(9.1)	(7.8)	(128.5)
Adjusting depreciation	0.2	-	0.4	-	-	0.9	1.5

52 weeks 2 January 2022	Premium, Urban and Venture £m	Local Pubs £m	Destination Food Brands £m	Pub Partners £m Restated	Brewing & Brands £m	Corporate £m	Total operations £m Restated
Revenue	235.8	315.9	527.1	109.6	153.2	-	1,341.6
Analysed as:							
Goods							
– Drink	172.0	204.4	195.5	76.0	153.2	-	802.7
– Food	60.5	103.0	295.3	1.6	-	-	458.8
	232.5	307.4	490.8	77.6	153.2	-	1,261.5
Services							
– Other services[1]	3.3	8.5	36.3	32.0	-	-	80.1
Adjusted EBITDA[2]	**38.3**	**32.8**	**67.4**	**46.7**	**11.1**	**(40.0)**	**156.3**
Adjusted operating profit/(loss)	**6.8**	**2.6**	**20.9**	**35.1**	**0.9**	**(47.7)**	**18.6**
Adjusting operating items	(0.6)	3.3	3.5	10.4	(0.7)	29.3	45.2
Lease interest	(9.5)	(5.9)	(4.3)	(1.0)	(1.0)	(1.1)	(22.8)
Net finance costs	-	-	-	-	-	-	(111.4)
Income tax charge	-	-	-	-	-	-	38.6
Segment (loss)/profit for the period[4]	**(3.3)**	**-**	**20.1**	**44.5**	**(0.8)**	**(19.5)**	**(31.8)**
Balance sheet							
Segment assets	1,428.6	1,185.4	1,568.6	883.3	180.5	145.8	5,392.2
Unallocated assets[3]	-	-	-	-	-	-	240.7
Total assets	1,428.6	1,185.4	1,568.6	883.3	180.5	145.8	5,632.9
Segment liabilities	(272.5)	(217.3)	(192.7)	(38.0)	(57.4)	(176.6)	(954.5)
Unallocated liabilities[3]	-	-	-	-	-	-	(3,233.9)
Total liabilities	(272.5)	(217.3)	(192.7)	(38.0)	(57.4)	(176.6)	(4,188.4)
Net assets/(liabilities)	**1,156.1**	**968.1**	**1,375.9**	**845.3**	**123.1**	**(30.8)**	**1,444.5**
Other information:							
PPE and ROUA additions	47.9	47.9	52.1	8.8	6.5	4.1	167.3
Depreciation and amortisation	(31.5)	(30.2)	(46.5)	(11.6)	(10.2)	(7.7)	(137.7)

1. Other services include accommodation, rental and machine income.
2. EBITDA represents earnings before interest, tax, depreciation, amortisation and adjusting items and is reconciled on the cash flow statement.
3. Unallocated assets/liabilities comprise cash, borrowings, pensions, net deferred tax, net current tax, derivatives and indirect tax provision.
4. Segment profit/(loss) for the trading divisions represents operating profit after lease interest. For the corporate division segment loss represents operating loss after net finance costs and income tax charge.

Revenue from services includes rent receivable from licensed properties of £52.7m (prior period: £30.1m).

In the prior period, the group received £10.3m as grants for business rates for hospitality properties.

Management reporting and controlling systems

Management monitors the operating results of its strategic business units separately for the purpose of making decisions about allocating resources and assessing performance. Segment performance is measured based on segment operating profit or loss referred to as trading profit in the group's management and reporting systems. Included within the corporate column in the table above are functions managed by a central division.

No information about geographical regions has been provided as the group's activities are predominantly domestic.

4 OPERATING COSTS

Operating profit is stated after charging/(crediting):

	52 weeks 1 January 2023			52 weeks 2 January 2022		
	Before adjusting items	**Adjusting items**	**Total**	Before adjusting items	Adjusting items	Total
	£m	**£m**	**£m**	£m	£m	£m
Cost of products sold recognised as an expense	**675.1**	**-**	**675.1**	414.2	-	414.2
Employment costs (Net of furlough income) (note 6)	**717.8**	**-**	**717.8**	473.6	0.3	473.9
Depreciation of property, plant and equipment (note 11)	**93.4**	**-**	**93.4**	98.0	-	98.0
Revaluation of investment property (note 12)	**-**	**0.1**	**0.1**	-	-	-
Depreciation of right-of-use assets (note 21)	**34.3**	**(1.5)**	**32.8**	38.9	-	38.9
Amortisation (note 10)	**0.8**	**-**	**0.8**	0.8	-	0.8
Net impairment reversal of property, plant and equipment (note 11) and right-of-use assets (note 21)	**-**	**(29.0)**	**(29.0)**	-	(8.2)	(8.2)
Net lease (income)/expense	**-**	**-**	**-**	(1.3)	-	(1.3)
Other operating charges	**462.4**	**(8.2)**	**454.2**	298.8	(34.0)	264.8
Net profit on disposal (note 5)	**-**	**(18.0)**	**(18.0)**	-	(3.3)	(3.3)
	1,983.8	**(56.6)**	**1,927.2**	1,323.0	(45.2)	1,277.8

In the prior period, as a result of the Covid-19 Pandemic, local authorities provided business rates relief of £49.3m for all properties in the Retail, Leisure and Hospitality industry. These are included within other operating charges.

Fees earned by the auditor during the period consisted of:	**52 weeks 1 January 2023**	52 weeks 2 January 2022
	£m	£m
Audit of the consolidated financial statements	0.2	0.1
Audit of subsidiaries	1.0	0.9
Included in other operating charges	1.2	1.0

The group's auditors provided audit-related assurances services of £4k in the period (prior period: £4k).

5 ADJUSTING ITEMS

	52 weeks 1 January 2023 £m	52 weeks 2 January 2022 £m
Included in operating profit		
Acquisition and Integration costs	-	(0.3)
Employee costs, restructuring charges, and other legal and professional fees	-	(0.6)
Covid-19 related credits	6.8	5.4
Net impairment reversal of property, plant and equipment (note 11) and right-of-use assets (note 21)	29.0	8.2
(Expense)/income from Indirect Tax claims	(3.3)	29.2
Net profit on disposal of property, plant and equipment and leases	18.0	3.3
Revaluation of investment property (note 12)	(0.1)	-
Other adjusting items in respect to prior periods	6.1	-
Corporate transaction and project costs	(4.2)	-
Insurance proceeds	4.3	-
Total adjusting items included in operating profit	56.6	45.2
Included in financing costs		
Amounts recycled from hedging reserve in respect of settled interest rate liabilities	(17.3)	(7.3)
Loss on settlement of financial liabilities	(12.4)	-
Fair value movements of derivatives held at fair value through profit and loss	4.4	1.3
Interest (cost)/income on Indirect Tax claims	(0.5)	4.2
Interest income in respect of tax positions and adjustments	0.7	-
Total adjusting financing costs	(25.1)	(1.8)
Total adjusting items before tax	31.5	43.4
Included in tax		
Tax impact of adjusting items	(7.5)	(30.3)
Tax charge in respect of rate change	(0.5)	18.0
Adjustment in respect of prior periods	(11.7)	(4.6)
Total adjusting tax	(19.7)	(16.9)
Total adjusting items after tax	11.8	26.5

Adjusting operating costs

During the period a net credit of £6.8m (prior period: £5.4m) in relation to Covid was recognised. This includes a credit of £7.3m (prior period £5.0m) on bad debt provision reversals on both free trade loans and trade debt, a £2.1m charge in respect of personal protective equipment written off and a £1.6m credit (prior period: £2.9m) relating to Covid rent concessions (net of fees).

The impairment charge relating to properties (property, plant and equipment and right-of-use assets) comprises a gross charge of £71.0m (prior period: £23.2m) offset by a reversal of previously recognised impairment losses of £100.0m (prior period: £31.4m). A £3.2m charge has been recognised due to flood damage and is included in the gross charge of £71.0m.

The group recognised a net charge of £3.3m (prior period: £29.2m credit) in respect of Indirect Tax claims.

The net gain on disposal of property, plant and equipment and goodwill of £18.0m (prior period: £3.3m) comprises a total profit on disposal of £27.2m (prior period: £6.7m) and a total loss on disposal of £9.2m (prior period: £3.4m).

During the period the group recognised a loss of £0.1m (prior period: £nil) in respect of the revaluation of investment property.

The group recognised a credit of £6.1m (prior period: £nil) in respect of items relating to matters in the prior periods across a number of areas including depreciation, legal and HR.

During the period the group incurred £4.2m (prior period: £nil) in respect of professional fees on corporate transaction and projects.

During the period the group recognised gain of £4.3m in respect of insurance compensation to meet the costs of restoring sites damaged by flood (see above).

In the prior period the group incurred £0.6m of employee costs, restructuring charges and other legal and professional fees and incremental costs of £0.3m following the acquisition by CK Asset Holdings Limited for longer-term retention scheme offered to managers.

Adjusting finance costs

In September 2022 the group settled financial liabilities in relation to the Spirit secured financing vehicle. The group repaid the remaining £96.7m outstanding nominal amount of Spirit A5 secured at the full contractual spens price of £102.6m. There was a loss recognised of £3.2m in respect of the transaction amount to the difference between the carrying value of the repaid bonds, comprising the nominal value and a par value premium, and the settlement amount paid.

In conjunction with the repayment of Spirit A5 bond Greene King Limited entered into a reverse gilt lock derivative to fix gilt yield before the settlement of the Spirit A5 bond. Upon the execution of the derivative the group recognised a loss of £8.7m. The group also terminated the interest rate swap contract which had not qualified for hedge accounting. The adjusting gain of £0.2m was recognised in respect of a credit valuation adjustment. In the current period an exceptional gain of £4.4m (prior period: £1.3m) was recognised in relation to the mark-to-market movements on the derivative prior to the termination.

In December 2022 the group settled the financial liabilities in relation to the Greene King secured A5 bond. The remaining £179.9m outstanding nominal amount was repaid in full at par. No adjusting loss or gain in respect of the settlement of the bond was recognised.

In conjunction with the repayment of the Greene King A5 bond the group terminated the interest rate swap contract which had been designated cash flow hedge of the bond. The group recognised a loss of £0.6m in respect of a credit valuation adjustment upon the settlement of the swap. The transaction also resulted in the crystallisation of mark-to-market losses taken to the hedging reserve over the life of the swap. These amounts were recycled from the hedging reserve to the income statement in full and an additional loss of £17.3m was recognised.

In the current period the group recognised interest costs of £0.5m (prior period: £4.2m) in relation to the VAT claims (see above).

In the current period the finance income of £0.7m (prior period: £nil) was recognised in relation to the reversal of the uncertain tax provision, following HRMC's decision not to appeal the First Tier Tribunal's decision in favour of the taxpayer relating to deferred revenue expenditure claims.

Adjusting tax

The adjusting tax charge of £7.5m (prior period: £30.3m) is driven mainly by non-tax deductible adjusting items (£0.9m), movements on deferred tax in relation to capital losses (£1.9m) and movements on deferred tax in relation to the licensed estate (£1.3m credit). The adjusting credit of £1.3m (prior period: £0.9m charge) in respect of movements on the deferred tax on the licensed estate is the result of adjusting accounting adjustments, such as the profits on disposal, impairment and other movements in the tax base.

In the prior period, an adjusting tax charge of £30.3m included the following key items:

- £37.2m was recognised as a result of increasing the recognised deferred tax asset arising on corporate interest restriction
- A £1.0m charge for the impact of decrease to the provisioning required for trade debtors and free trade loans
- An adjustment to trade losses in respect of indirect tax claims (£6.3m)
- A credit arising on the hedging recycled to the income statement (£1.4m)
- An adjusting charge of £0.9m in respect of movements on the deferred tax on the licensed estate.

A charge of £0.5m has been recognised in relation to both deferred tax opening rate change adjustments (from 25% to the current tax rate of 19%) and deferred tax closing rate change adjustments (from the current rate of 19% to the closing rate of 25%).

The prior period adjustment of £11.7m is made up of the following key items:

- Current tax adjustments including a credit for the recognition of receipts for intercompany group relief (£0.4m) and a credit in respect of tax return resubmissions (£3.0m)
- Deferred tax adjustments including a charge for the reversal of tax losses previously recognised (£13.2m), a charge due to a change in deferred tax assets relating to provisions (£3.9m), a credit on deferred tax for Corporate Interest Restriction disallowances (£3.2m), a charge due to a change in deferred tax assets relating to capital losses (£1.0m) and a charge of £0.2m for other movements.

6 EMPLOYMENT COSTS

Employment costs (Including directors) comprise:

	52 weeks 1 January 2023 Total £m	52 weeks 2 January 2022 Total £m
Wages and salaries (Prior period net of furlough income)	**653.3**	421.8
Social security costs	**50.7**	39.3
Other pension costs (note 8)		
- Defined contribution	**13.8**	12.8
	717.8	473.9

The prior period wages and salaries are shown net of government subsidies of £141.0m in relation to staff members who were furloughed as a result of Covid-19.

Key management personnel

Key management personnel are deemed to be those employees who are directors of Greene King Limited or its subsidiaries, and the senior leadership team of the group.

Remuneration of key management personnel	**52 weeks 1 January 2023 £m**	52 weeks 2 January 2022 £m
Short term employment benefits and benefits under long-term incentive schemes	**11.7**	5.5
Post-employment pension, medical and other benefits	**1.1**	0.8
Included in other operating charges	**12.8**	6.3

Included in the key management personnel table above are amounts receivable by directors of Greene King Limited, these amounts have been separately disclosed as directors' remuneration in the table below. The post-employment pension contributions disclosed below relate to 2 directors (prior period: 2).

Directors' Remuneration	**52 weeks 1 January 2023 £m**	52 weeks 2 January 2022 £m
Short term employment benefits and benefits under long-term incentive schemes	**3.1**	1.4
Post-employment pension, medical and other benefits	**0.2**	0.2
Included in other operating charges	**3.3**	1.6

Highest Paid Director	**52 weeks 1 January 2023 £m**	52 weeks 2 January 2022 £m
Aggregate renumeration and benefits under long-term incentive schemes	**2.0**	0.9

Director and key management personnel remuneration excludes amounts paid by CK Noble UK Limited in the prior period as a retention bonus following the acquisition of the group by CKA in October 2019. See further details in note 30.

The monthly average number of team members during the period was as follows:

	52 weeks 1 January 2023	52 weeks 2 January 2022
Premium, Urban and Venture	**6,761**	6,117
Local Pubs	**11,074**	11,535
Destination Food Brands	**18,936**	19,794
Pub Partners	**91**	81
Brewing & Brands	**836**	794
Corporate	**904**	703
	38,602	39,024

The figures above include 26,614 (prior period: 27,250) part-time team members.

7 FINANCE (COSTS) / INCOME

	52 weeks 1 January 2023 £m	52 weeks 2 January 2022 £m
Bank loans and overdrafts	**(10.1)**	(2.7)
Commercial paper	**-**	(0.2)
Secured bonds and associated interest rate swaps, liquidity facilities and fees	**(69.0)**	(73.2)
Loans from related parties	**(29.3)**	(34.1)
Loss on settlement of financial liabilities	**(12.4)**	-
Amounts recycled from hedging reserve in respect of settled interest rate liabilities	**(17.3)**	(7.3)
Interest and finance costs on lease liabilities (note 21)	**(20.6)**	(22.8)
Interest on indirect tax claims (note 5)	**(0.5)**	-
Interest in respect of tax positions and adjustments	**-**	(0.1)
Total finance costs	**(159.2)**	(140.4)
Fair value movements of derivatives held at fair value through profit and loss	**4.4**	1.3
Net finance income from pensions (note 8)	**2.7**	0.7
Interest on indirect tax claims (note 5)	**-**	4.2
Bank interest	**0.5**	-
Interest in respect of tax positions and adjustments	**0.8**	-
Total finance income	**8.4**	6.2
Net finance costs	**(150.8)**	(134.2)

8 PENSIONS

Defined contribution pension schemes

The group maintains two defined contribution schemes which are open to all new team members.

Member funds for the defined contribution schemes are held and administered by the Friends Life Group. The total cost recognised in operating profit for the period was £13.8m (prior period: £12.8m).

Defined benefit pension schemes and post-employment benefits

The group maintains two defined benefit schemes: the Greene King Pension Scheme and the Spirit (Legacy) Pension Scheme which are closed to new entrants and are closed to future accrual. Only administrative costs and deficit recovery contributions are incurred going forward. Member funds for the defined benefit schemes are held in separate funds independently of the group's finances and are administered by pension trustees. Pension benefits are related to members' final salary at the earlier of retirement or closure to future accrual and their length of service.

Greene King Pension Scheme

The Trustees are required to carry out an actuarial valuation every three years. The result of this valuation determines the level of contributions payable by the group. The last triennial valuation of the Greene King Pension Scheme was performed by the Scheme actuary for the trustees as at 5 April 2021. The valuation as at 5 April 2021 revealed a funding shortfall of £13.3m. The recovery plan shows annual employer contributions of £3.5m per annum for a period of 3 years from 1 April 2021 to be paid into an escrow account due to the improvement in performance in the scheme from the previous valuation. The funds in the escrow account will not be treated as an asset of the scheme but will have access in specific circumstances. The next triennial actuarial valuation of the Greene King Pension Scheme will be as at 5 April 2024.

The scheme was closed to future accruals on 30 September 2012. The group's contributions directly into the scheme over the period were £2.6m (prior period: £4.5m). The group's contributions into escrow were £1.5m (prior period: £nil)

An actuarial valuation was carried out for IAS 19 purposes as at 1 January 2023 by a qualified independent actuary.

Spirit (Legacy) Pension Scheme

The Trustees are required to carry out an actuarial valuation every three years. The result of this valuation determines the level of contributions payable by the group. The last triennial valuation of the Spirit (Legacy) Pension Scheme was performed by the Scheme actuary for the trustees as at 30 June 2021. The valuation as at 30 June 2021 revealed a funding surplus of £22.5m and that no recovery plan is required. The next triennial actuarial valuation of the Spirit (Legacy) Pension Scheme will be as at 30 June 2024.

The scheme was closed to future accruals on 6 April 2005. The group's contributions over the period were £nil (prior period: £nil).

On 19 January 2022 the Spirit Pension scheme entered into a second buy-in policy for c.£110m that provides insurance for a proportion of its members. This takes the total insured value to c. £160m. An actuarial valuation was carried out for IAS 19 purposes as at 1 January 2023 by a qualified independent actuary.

The pension schemes are exposed to inflation and interest rate risks, as well as changes in the life expectancy for pensioners. As the schemes' assets include investments in quoted equity shares, the group is also exposed to equity market risk. The majority of the bonds held by the schemes relate to UK government and corporate bonds, plus liability driven investment (LDI) instruments.

Income Statement

	Pension schemes					
	1 January 2023			2 January 2022		
	Greene King £m	**Spirit £m**	**Total £m**	Greene King £m	Spirit £m	Total £m
Interest on pension scheme assets	**7.8**	**11.0**	**18.8**	5.6	8.1	13.7
Interest on scheme liabilities	**(7.2)**	**(8.9)**	**(16.1)**	(5.6)	(7.4)	(13.0)
Net interest on net defined benefit asset	**0.6**	**2.1**	**2.7**	-	0.7	0.7

The values of the schemes' liabilities have been determined by a qualified actuary based on the results of the last actuarial valuation, updated to 1 January 2023 using the following principal actuarial assumptions:

	1 January 2023		2 January 2022	
	Greene King	**Spirit**	Greene King	Spirit
Discount rate	**4.8%**	**4.8%**	1.9%	1.9%
Expected pension payment increases	**3.1%**	**3.1%**	3.1%	3.1%
Rate of inflation (RPI)	**3.3%**	**3.3%**	3.3%	3.3%
Rate of inflation (CPI)	**2.7%**	**2.7%**	2.6%	2.6%

The mortality assumptions imply the following expectations of years of life from age 65:

Man currently aged 40	**23.0**	**22.4**	23.4	21.7
Woman currently aged 40	**25.6**	**24.7**	25.6	25.1
Man currently aged 65	**21.3**	**20.0**	21.6	19.8
Woman currently aged 65	**23.8**	**22.5**	23.7	23.1

Mortality assumptions are based on standard tables adjusted for scheme experience and with an allowance for future improvement in life expectancy. The mortality assumptions for the Spirit scheme have been calculated independently from Greene King for 2023, they previously adopted Greene King Mortality tables.

The table below shows the investment allocation of pension assets against the related liabilities of the pension schemes:

	1 January 2023			2 January 2022		
	Greene King £m	**Spirit £m**	**Total £m**	Greene King £m	Spirit £m	Total £m
Investment quoted in active markets						
Equities	**-**	**39.1**	**39.1**	-	68.5	68.5
Bonds	**281.2**	**203.5**	**484.7**	407.4	429.1	836.5
Unquoted investments						
Property	**-**	**-**	**-**	-	48.5	48.5
Annuities insurance contracts	**2.8**	**95.9**	**98.7**	4.1	35.4	39.5
Cash	**3.8**	**6.7**	**10.5**	3.9	5.7	9.6
Total fair value of assets	**287.8**	**345.2**	**633.0**	415.4	587.2	1,002.6
Present value of scheme liabilities:						
Funded plans	**(251.1)**	**(326.7)**	**(577.8)**	(386.6)	(479.2)	(865.8)
Non-current asset/liability recognised	**36.7**	**18.5**	**55.2**	28.8	108.0	136.8

£239.0m (prior period: £360.5m) of the bonds shown in the table above are liability-driven investments designed to match the change in value of the schemes' liabilities.

The movements in the pension schemes' assets/(liabilities) during the period are as follows:

	Pension assets		Pension liabilities		Net Pension
	Greene King	Spirit	Greene King	Spirit	Asset
	£m	£m	£m	£m	£m
Post-employment assets/(liabilities) at 3 January 2021	**408.4**	**584.9**	**(406.7)**	**(538.3)**	**48.3**
Pension interest income/(costs) recognised in the income statement	5.6	8.1	(5.6)	(7.4)	0.7
Benefits paid	(13.8)	(17.4)	13.8	17.4	-
Remeasurement gains/(losses) in other comprehensive income:					
Return on plan assets (excluding amounts included in net interest expenses)	10.7	11.6	-	-	22.3
Actuarial changes arising from changes in demographic assumptions	-	-	(1.9)	29.8	27.9
Actuarial changes arising from changes in financial assumptions	-	-	13.8	19.3	33.1
Contributions paid	4.5	-	-	-	4.5
Post-employment assets/(liabilities) at 2 January 2022	**415.4**	**587.2**	**(386.6)**	**(479.2)**	**136.8**
Pension interest income/(costs) recognised in the income statement	**7.8**	**11.0**	**(7.2)**	**(8.9)**	**2.7**
Benefits paid	**(14.4)**	**(17.4)**	**14.4**	**17.4**	**-**
Remeasurement gains/(losses) in other comprehensive income:					
Return on plan assets (excluding amounts included in net interest expenses)	**(123.6)**	**(235.6)**	**-**	**-**	**(359.2)**
Actuarial changes arising from changes in demographic assumptions	**-**	**-**	**9.7**	**(5.2)**	**4.5**
Actuarial changes arising from changes in financial assumptions	**-**	**-**	**123.5**	**170.4**	**293.9**
Experience adjustments			**(4.9)**	**(21.2)**	**(26.1)**
Contributions paid	**2.6**	**-**	**-**	**-**	**2.6**
Post-employment assets/(liabilities) at 1 January 2023	**287.8**	**345.2**	**(251.1)**	**(326.7)**	**55.2**

Presented in the balance sheet as follows:

	1 January 2023	2 January 2022
	£m	£m
Post-employment assets	**55.2**	136.8

The sensitivities regarding the principal assumptions assessed in isolation that have been used to measure the scheme liabilities are set out below:

	Decrease/(increase) in liability	
	1 January 2023	2 January 2022
	£m	£m
0.25% points increase in discount rate	**17.5**	33.3
0.25% points increase in inflation assumption	**(11.2)**	(30.2)
Additional one-year increase to life expectancy	**20.3**	(36.6)

The following payments, which are also the minimum funding requirements, are the expected contributions to the defined benefit plan in future years:

	1 January 2023	2 January 2022
	£m	£m
Within 1 year	**-**	4.5

The average duration of the defined benefit scheme's obligations at the end of the period is 13 years (prior period: 16 years).

9 TAXATION

Consolidated income statement	1 January 2023 Total £m	2 January 2022 Total £m
Income tax		
Corporation tax before adjusting items	**16.8**	-
Current income tax	**16.8**	-
Adjustment in respect of prior periods	**(3.4)**	(32.8)
	13.4	(32.8)
Deferred tax		
Origination and reversal of temporary differences	**1.5**	(52.0)
Adjustment in respect of prior periods	**15.1**	28.2
Tax charge in respect of rate change	**0.5**	18.0
	17.1	(5.8)
Tax charge/(credit) in the income statement	**30.5**	**(38.6)**

Group statement of comprehensive income	1 January 2023 £m	2 January 2022 £m
Deferred tax		
Remeasurement gains on defined benefit pension schemes	**(21.7)**	23.0
Net loss on revaluation on cash flow hedges	**29.8**	1.7
Total deferred tax charge	**8.1**	24.7

Reconciliation of income tax charge/(credit) for the period	1 January 2023 £m	2 January 2022 £m
The effective rate of taxation is lower (prior period: lower) than the full rate of corporation tax. The differences are explained below:		
Profit/(loss) before tax	**98.4**	(70.4)
Profit/(loss) before tax multiplied by standard rate corporation tax of 19.0% (prior period: 19.0%)	**18.7**	(13.4)
Adjusted for the effects of:		
Expenditure not allowable/(income not taxable)	**0.9**	(0.1)
Impact of non-deductible interest	**3.5**	4.3
Effect of UK Capital Allowances legislation	**(1.6)**	(1.6)
Impact of deferred tax in respect of licensed estate	**(3.3)**	(3.9)
Impact of deferred tax movements on IFRS16	**0.1**	(0.2)
Impact of change in tax rate on deferred tax balances	**0.5**	18.0
Derecognition of deferred tax in respect of interest restrictions	**-**	(37.2)
Adjustment in respect of prior periods – uncertain tax provision	**-**	(4.1)
Adjustment in respect of prior periods – current tax	**(3.4)**	(28.7)
Adjustment in respect of prior periods – deferred tax	**15.1**	28.2
Income tax charge/(credit) reported in the income statement	**30.5**	(38.6)

Refer to note 5 for a discussion of adjusting items.

Income tax position

The group's current tax payable position of £1.4m (prior period: £8.9m receivable) reflects the outstanding corporation tax liability with HMRC, less intercompany receivables for surrendered group relief.

In the prior period, the position included expected repayments on resubmission of open tax returns.

There are no income tax consequences attaching to the payment of dividends by Greene King Limited to its shareholder.

Deferred tax

The deferred tax included in the balance sheet is as follows:

Deferred tax assets	Capital losses	Derivatives £m	Accelerated capital allowances £m	Other temporary differences £m	Trading losses £m	Total £m
At 3 January 2021	27.4	39.2	0.8	29.0	28.5	**124.9**
Charge to equity/comprehensive income	-	(1.7)	-	-	-	(1.7)
Credit/(charge) to the income statement	15.1	0.2	-	60.1	(3.0)	72.4
Transfer to deferred tax liabilities	-	-	(0.8)	-	-	(0.8)
At 2 January 2022	**42.5**	**37.7**	**-**	**89.1**	**25.5**	**194.8**
Charge to equity/comprehensive income	-	**(29.8)**	-	-	-	**(29.8)**
(Charge)/credit to the income statement	**(3.6)**	**(1.8)**	-	**3.3**	**(25.3)**	**(27.4)**
Charge to goodwill	-	-	-	**(2.6)**	-	**(2.6)**
Transfer to deferred tax liabilities	-	-	-	-	-	-
At 1 January 2023	**38.9**	**6.1**	-	**89.8**	**0.2**	**135.0**

Deferred tax liabilities	Post-employment assets £m	Accelerated capital allowances £m	Unrealised gains £m	IFRS 16 £m	Total £m
At 3 January 2021	**(9.1)**	**-**	**(96.9)**	**(31.8)**	**(137.8)**
Charge to equity/comprehensive income	(23.0)	-	-	-	(23.0)
(Charge)/credit to the income statement	(2.1)	(36.1)	(31.2)	2.8	(66.6)
Transfer from deferred tax assets	-	0.8	-	-	0.8
At 2 January 2022	**(34.2)**	**(35.3)**	**(128.1)**	**(29.0)**	**(226.6)**
Charge to equity/comprehensive income	**21.7**	-	-	-	**21.7**
Credit/(charge) to the income statement	**(1.3)**	**(13.8)**	**5.9**	**19.4**	**10.2**
Charge to goodwill	-	**(1.5)**	**(0.5)**	**(5.6)**	**(7.6)**
At 1 January 2023	**(13.8)**	**(50.6)**	**(122.7)**	**(15.2)**	**(202.3)**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset income tax assets and income tax liabilities and when it is the intention to settle the balances on a net basis. Deferred tax assets and liabilities have therefore been offset and disclosed on the balance sheet as follows in the tables below.

	1 January 2023 £m	2 January 2022 £m
Net deferred tax liability	**(67.3)**	(31.8)

The deferred tax asset on other temporary differences is primarily made up of two balances relating to intercompany lease premiums and to corporate interest restriction, both of which are expected to give rise to future tax deductions.

The deferred tax liability on unrealised gains no longer includes an uncertain tax provision (prior period: £0.5m). This amount related to a provisional estimate of elections to be made for rollover relief under the Taxation of Capital Gains Act 1992, which has the effect of reducing the tax base cost of the licensed estate and correspondingly increases the net unrealised gain.

Of the total deferred tax asset on other temporary differences, £157.8m (prior period: £37.2m) has been recognised on the basis it is supported by future expected taxable profits under IAS 12.29. Forecasts have been prepared showing that these tax losses are expected to be fully utilised in accordance with the Corporate Loss Restriction and Corporate Interest Restriction rules within the forecast period.

At 1 January 2023, the Group had unused trading losses of £1.1m (prior period: £101.8m) and unused capital losses of £774.3m (prior period: £789.2m). A deferred tax asset of £0.3m (prior period: £25.5m) has been recognised in respect of trading losses and a deferred tax asset of £39.0m (prior period: £42.5m) in respect of capital losses where tax losses are expected to be utilised against future profits and gains. Current legislation allows all of the group's tax losses to be carried forward for an unlimited period.

At 1 January 2023, the Group recognised deferred tax assets of £85.3m (prior period: £77.1m) in respect of cumulative CIR restrictions. There is no expiry date on these interest restrictions. No deferred tax asset has been recognised on carried forward capital losses totalling £618.5m (gross).

Factors that may affect future tax charges

Under Finance Act 2021 enacted on 10 June 2021, the Corporation Tax rate for the 12 months from 3 January 2022 remains at 19%, but will increase to 25% as the planned main rate of corporation tax from 1 April 2023. The net deferred tax liability has been calculated using the rates at which each temporary difference is expected to reverse.

10 GOODWILL AND BRAND INTANGIBLES

	Brand intangibles £m	Goodwill £m
Cost		
At 3 January 2021 & 2 January 2022	16.1	1,099.5
Addition (note 13)	10.3	19.5
At 1 January 2023	**26.4**	**1,119.0**
Impairment and amortisation		
At 3 January 2021	7.9	194.3
Amortisation	0.8	-
At 2 January 2022	8.7	194.3
Amortisation	0.8	-
At 1 January 2023	**9.5**	**194.3**
Net book value		
At 1 January 2023	**16.9**	**924.7**
At 2 January 2022	7.4	905.2
At 3 January 2021	8.2	905.2

Brand intangibles were recognised as part of business combinations. Brand intangibles are amortised over the expected life of the asset and have an average remaining useful life of 10 years and all relate to the Destination Food Brands, Local Pubs and Premium Urban and Venture divisions.

All goodwill was recognised as part of business combinations.

Goodwill has been allocated to reporting segments, the lowest group of cash-generating units in the group at which goodwill is monitored internally, based on the extent that the benefits of acquisitions flow to that segment.

The carrying amount of goodwill is allocated as follows:

	1 January 2023 £m	2 January 2022 £m
Premium, Urban and Venture	**430.7**	411.2
Local Pubs	**192.8**	192.8
Destination Food Brands	**82.2**	82.2
Pub Partners	**178.4**	178.4
Brewing & Brands	**40.6**	40.6
	924.7	905.2

Goodwill impairment testing

The recoverable amount of each segment was determined on a value-in-use basis, using cash flow projections based on the latest strategy plan approved by the board, and in all cases exceeded the carrying amount.

The key assumptions used in the value-in-use calculations are forecasted cash flows, the pre-tax discount rate and a long-term growth rate used to extrapolate cash flows beyond the forecasted period:

- Forecasted cash flows have been based on the group's latest board approved five-year strategic plan;
- The discount rate has been based on the group's WACC of 7.6% (prior period: 6.8%). As the risk factors are considered to be similar in each of the group's reporting segments the same discount rate is applied to all five divisions; and
- A long-term growth rate of 1.5% (prior period: 1.5%) in Premium, Urban and Venture, Local Pubs and Destination Food Brands, 1.8% (prior period: 1.8%) in Pub Partners and -3% (prior period: -3%) in Brewing & Brands has been used. These rates are all below the long-term UK inflation of 2.3% to 4% and reflect the anticipated trends in future trading performance.

Sensitivity to changes in assumptions

The goodwill valuation is most sensitive to changes in the assumptions used for forecasted cash flows, pre-tax discount rate, and long-term growth rate. Management considers that reasonably possible changes in assumptions would be an increase in pre-tax discount rate of 0.5%, a 5% reduction in the 5-year strategy plan net cash flows or a deterioration in the long-term growth rate by 25%. None of these sensitivities would result in an impairment of goodwill in the divisions.

11 PROPERTY, PLANT AND EQUIPMENT

	Licensed estate		Other		
	Land and buildings £m	Plant and equipment £m	Land and buildings £m	Plant and equipment £m	Total £m
Cost					
At 3 January 2021	3,456.7	1,209.3	72.5	158.5	4,897.0
Additions (see below)	83.3	50.0	0.2	11.0	144.5
Transfer to property, plant and equipment held for sale	(7.0)	(1.6)	-	-	(8.6)
Disposals	(3.3)	(2.9)	(0.3)	(1.9)	(8.4)
Reclassifications	(9.3)	(4.5)	9.3	4.5	-
At 2 January 2022	**3,520.4**	**1,250.3**	**81.7**	**172.1**	**5,024.5**
Business acquisition (note 13)	18.9	15.3	-	-	34.2
Additions (see below)	60.1	122.0	4.0	22.0	208.1
Transfer to property, plant and equipment held for sale	(3.2)	(1.5)	-	-	(4.7)
Transfer to Investment property	(1.4)	(0.4)	(2.6)	(0.7)	(5.1)
Disposals	(6.8)	(6.4)	(0.4)	(32.8)	(46.4)
At 1 January 2023	**3,588.0**	**1,379.3**	**82.7**	**160.6**	**5,210.6**
Depreciation and impairment					
At 3 January 2021	296.9	789.3	15.9	127.2	1,229.3
Depreciation	12.7	75.1	1.4	8.8	98.0
Written back on disposals	(2.1)	(2.6)	(0.4)	(0.9)	(6.0)
Impairment (see below)	13.5	2.5	0.6	1.2	17.8
Impairment reversal (see below)	(21.2)	(6.4)	(1.7)	(0.2)	(29.5)
Transfer to property, plant and equipment held for sale	(2.0)	(1.0)	-	-	(3.0)
Reclassification	(4.0)	(3.6)	4.0	3.6	-
At 2 January 2022	**293.8**	**853.3**	**19.8**	**139.7**	**1,306.6**
Depreciation	13.8	70.9	1.0	7.7	93.4
Written back on disposals	(2.1)	(5.6)	(1.7)	(32.9)	(42.3)
Impairment (see below)	56.1	7.1	2.0	0.4	65.6
Impairment reversal (see below)	(82.3)	(13.2)	-	-	(95.5)
Transfer to property, plant and equipment held for sale	(2.2)	(1.5)	-	-	(3.7)
Transfer to Investment property	(0.7)	(0.4)	(0.2)	(0.6)	(1.9)
At 1 January 2023	**276.4**	**910.6**	**20.9**	**114.3**	**1,322.2**
Net book value					
At 1 January 2023	**3,311.6**	**468.7**	**61.8**	**46.3**	**3,888.4**
At 2 January 2022	3,226.6	397.0	61.9	32.4	3,717.9
At 3 January 2021	3,159.8	420.0	56.6	31.3	3,667.7

Additions in the period	**1 January 2023**	2 January 2022
	£m	£m
Consideration paid for Freehold reversion	**8.9**	99.9
Transfer of right-of-use assets (note 21)	**4.2**	92.4
Transfer of lease liabilities (note 21)	**(6.9)**	(138.9)
Total capitalised for freehold reversions	**6.2**	53.4
Other property, plant and equipment additions	**201.9**	91.1
Total additions	**208.1**	144.5

The licensed estate relates to properties, and assets held within those properties which are licensed to sell alcohol (i.e. managed, tenanted and leased houses). Other assets relate to property, plant and equipment associated with unlicensed properties (i.e. brewing, distribution, and central assets).

The net book value of land and buildings comprises:

	1 January 2023 £m	2 January 2022 £m
Freehold properties	**3,213.2**	3,138.9
Leasehold property improvements >50 years unexpired term	**94.7**	95.0
Leasehold property improvements <50 years unexpired term	**65.4**	54.6
	3,373.3	3,288.5

The disaggregation of land and buildings into assets leased to tenants under operating leases and those held by the group is as follows:

	1 January 2023			2 January 2022		
Licensed Estate	**Leased to tenants £m**	**Used by the group £m**	**Total £m**	Leased to tenants £m	Used by the group £m	Total £m
Cost	**818.0**	**2,770.0**	**3,588.0**	792.1	2,728.3	3,520.4
Depreciation	**(148.8)**	**(127.6)**	**(276.4)**	(136.2)	(157.6)	(293.8)
Net Book Value	**669.2**	**2,642.4**	**3,311.6**	655.9	2,570.7	3,226.6

Charges over assets

Included in property, plant and equipment are assets with a group net book value of £1,995.0m (prior period: £1,945.7m) over which there are first charges in favour of the securitised debt holders of the Greene King secured financing vehicle.

Future capital expenditure

	1 January 2023 £m	2 January 2022 £m
Contracted for	11.8	15.3

Impairment of property, plant and equipment

During the period to 1 January 2023 the group has recognised a net impairment reversal of £29.9m (prior period: reversal £11.7m). This is comprised of an impairment charge of £65.6m (prior period: £17.8m) and reversal of previously recognised impairment losses of £95.5m (prior period: £29.5m). The recoverable amounts for assets impaired were based on a combination of value in use or fair value less cost of disposal.

These are analysed between the group's principal reporting segments as shown below:

	1 January 2023			2 January 2022		
	Impairment £m	**Reversal of impairment £m**	**Net impairment £m**	Impairment £m	Reversal of impairment £m	Net impairment £m
Premium, Urban and Venture	**6.9**	**(12.7)**	**(5.8)**	3.0	(0.9)	2.1
Local Pubs	**14.0**	**(22.6)**	**(8.6)**	2.7	(4.6)	(1.9)
Destination Food Brands	**31.8**	**(47.3)**	**(15.5)**	9.7	(14.1)	(4.4)
Pub Partners	**10.5**	**(12.9)**	**(2.4)**	0.6	(8.0)	(7.4)
Brewing & Brands	**0.4**	**-**	**0.4**	0.8	-	0.8
Corporate	**2.0**	**-**	**2.0**	1.0	(1.9)	(0.9)
	65.6	**(95.5)**	**(29.9)**	17.8	(29.5)	(11.7)

The group considers that each of its individual pubs is a cash-generating unit (CGU). Each CGU is reviewed annually for indicators of impairment or impairment reversal. When indicators of impairment or impairment reversal are identified the carrying value of the CGU is compared to its recoverable amount. The recoverable amount for assets impaired or with impairment reversal were based on the higher of value in use or fair value less cost of disposal. There are a number of reasons driving the impairment reversal, however the primary reason being due to recovery of trade post Covid.

The group estimates value in use using a discounted cash flow model. The key assumptions used are an expected cash flow projection, the discount rate applied to those cash flows of 7.6% (prior period: 6.8%) and the long-term growth rate of 1.5% (prior period: 1.5%) in Premium, Urban and Venture, Local Pubs and Destination Food Brands and 1.8% (prior period: 1.8%) in Pub Partners which are below the long-term UK inflation rate and reflects anticipated trends in future trading performance. As risk factors are considered to be similar in each of the group's reporting segments the same level of discount rate is applied to all.

The cashflows relating to individual CGUs used in the impairment exercise have been aligned to the group's 5-year strategy plan.

Estimates of fair value less costs of disposal are based on both internal and external valuations, with the latest external valuation being performed in December 2022. The valuation considers assumptions such as current and future projected income levels, which take account of the location and quality of the pub. In addition, recent market transactions in the sector and potential alternative use values have been considered.

The valuation techniques applied are consistent with the principles in IFRS 13 Fair Value Measurement. As they use significant unobservable inputs, they are classified within Level 3 of the fair value hierarchy, which is further explained in note 23.

Sensitivity to changes in assumptions

The level of impairment is predominantly dependent upon judgments used in arriving at fair values, future growth rates and the discount rate applied to cash flow projections. The net impact on the impairment charge of applying different assumptions to fair values, the growth rates used to calculate cash flow projections and in the pre-tax discount rates used to estimate value in use would be as follows:

Increased net impairment resulting from:	**A 10% reduction in fair value less cost of disposal**		**A 5% reduction in the 5-year strategy plan net cash flows [1]**		**A 0.5% pts increase in discount rate**		**A 25% reduction in long-term growth rate**	
	1 January 2023 £m	2 January 2022 £m	**1 January 2023 £m**	2 January 2022 £m	**1 January 2023 £m**	2 January 2022 £m	**1 January 2023 £m**	2 January 2022 £m
Premium, Urban and Venture	**2.3**	1.5	**1.0**	n/a	**1.8**	3.3	**1.0**	3.2
Local Pubs	**4.9**	2.4	**2.7**	n/a	**5.1**	3.9	**2.7**	3.1
Destination Food Brands	**10.3**	12.1	**4.2**	n/a	**7.4**	7.5	**4.3**	6.0
Pub Partners	**2.0**	0.5	**0.9**	n/a	**1.6**	2.8	**1.1**	2.0
Corporate	**0.3**	0.3	**-**	n/a	**-**	-	**-**	-
	19.8	16.8	**8.8**	n/a	**15.9**	17.5	**9.1**	14.3

[1]Management have introduced a new sensitivity in the current year of a 5% reduction in net cash flows. The prior year impact has not been assessed.

12 INVESTMENT PROPERTIES

During the period, the company transferred five sites from Property, Plant & Equipment (note 11).

	Investment properties £m	**Total £m**
Fair Value		
At 2 January 2022	-	-
Additions	0.2	0.2
Transferred from Property, Plant & Equipment	3.2	3.2
Decrease in fair value	(0.1)	(0.1)
At 1 January 2023	**3.3**	**3.3**

Amounts recognised in profit and loss for investment properties

	1 January 2023 £m
Direct operating expenses from property that did not generate rental income	**0.4**

Investment properties are properties held for returns on sales or rental and are not occupied by the group. They are carried at fair value and any changes in fair values are presented in the profit or loss as part of other operating expenses, see note 4.

The valuation considers assumptions such as the location and quality of the asset and expected income yield. In addition, recent market transactions in the sector and potential alternative use values have been considered. The valuation techniques applied are consistent with the principles in IFRS 13 Fair Value Measurement. As they use significant unobservable inputs, they are classified within Level 3 of the fair value hierarchy, which is further explained in note 23

Future capital expenditure

	1 January 2023 £m
Contracted for	**0.1**

13 BUSINESS COMBINATIONS

On 14 July 2022, Greene King Limited acquired 100% of the issued share capital of Gie Us Peece Limited Group, a restaurant group in Glasgow for £10.2m. The acquisition has increased our premium offering and compliments the PUV division.

On 10 October 2022, Greene King acquired 100% of the issued share capital of Johoco 2029 Limited Group ("Hickory's Group"), who operate the Hickory's smokehouse restaurants, for £43.1m. The acquisition brings a new brand to the group's venture offering and compliments the PUV division.

Details of the purchase consideration, the net assets acquired and goodwill for all acquisitions are as follows:

	Hickory's Group	**Gie Us Peece Limited Group**	**Total**
Number of sites acquired	17	3	20
Consideration[1] (£m)	43.1	10.2	53.3
Fair value of assets and liabilities acquired (£m)			
Cash	7.7	1.9	9.6
Trade and other receivables	0.3	0.3	0.6
Inventories	0.5	0.1	0.6
Land and buildings	8.1	10.8	18.9
Plant and equipment	14.9	0.4	15.3
Right of use asset	37.5	-	37.5
Deferred tax liability	(10.1)	-	(10.1)
Corporation tax liability	-	(0.3)	(0.3)
Intangible assets	10.3	-	10.3
Trade and other payables	(9.7)	(1.6)	(11.3)
Lease liability	(15.3)	-	(15.3)
Debt	(19.6)	(2.4)	(22.0)
Net identifiable assets acquired	24.6	9.2	33.8
Add: goodwill	18.5	1.0	19.5
Net assets acquired	43.1	10.2	53.3

[1]Hickory's consideration of £43.1m relates to consideration due on acquisition of £34.1m and deferred and contingent consideration of £9.0m.

Contribution since date of acquisition			
Revenue (£m)	9.6	3.0	12.6
Operating profit/(loss) (£m)	2.6	(0.1)	2.5

The goodwill is attributable to Premium, Urban and Venture. It will not be deductible for tax purposes.

Debt acquired across the two transactions of £22.0m relates to loans with Greene King Limited, these loans were created to fund the repayment of external debt on acquisition.

Acquisition related costs

Acquisition related costs of £1.6m that were not directly attributable to the issue of shares are included in adjusting operating items in the statement of profit or loss and in operating cashflows in the statement of cashflows.

Purchase Consideration – Cash outflow

Outflow of cash to acquire subsidiary, net of cash acquired

	1 January 2023 £m
Cash consideration	44.3
Less cash acquired	(9.6)
Cash paid	34.7
Net outflow of cash – investing activities	34.7

14 FINANCIAL ASSETS

	1 January 2023 £m	2 January 2022 £m
Trade loans (net of provision)	**5.0**	3.5
Total current	**5.0**	3.5
Trade loans (net of provision)	**8.5**	5.7
Total non-current	**8.5**	5.7

Trade loans are net of provisions of £3.6m (prior period: £8.1m). During the period none (prior period: £0.2m) of the provision was utilised and £4.5m (prior period: £1.7m reversed) of the provision was reversed.

Information about the group's exposure to credit and market risks, and impairment losses for Trade Loans is included in note 23.

Trade loans are advanced to customers on terms linked to supply terms such that returns are greater than interest income. The gross fixed rate trade loans amounted to £9.2m (prior period: £9.6m) and gross variable rate trade loans amounted to £7.9m (prior period: £7.7m). Included in fixed rate loans are £6.9m of loans with settlement related to purchase levels (prior period: £8.3m). The write-down of these loans has been taken on a straight-line basis over the remaining term of the loan as an approximation of the settlement within operating costs.

The fixed rate trade loans had a weighted average interest rate of 0.1% (prior period: 0.0%) and a weighted average period of 3.93 years (prior period: 2.48 years). Interest rates on variable rate trade loans are linked to base rates.

	1 January 2023 £m	2 January 2022 £m
Trade loans (net of provision)		
Balance at beginning of period	**9.2**	10.1
Advances	**4.6**	2.2
Repayments	**(4.8)**	(5.0)
Provisions reversed	**4.5**	1.7
Provision utilised	**-**	0.2
Balance at end of period	**13.5**	9.2

15 SUBSIDIARY UNDERTAKINGS

Greene King Limited is the beneficial owner of all of the equity share capital, either itself or through subsidiary undertakings, of the following companies.

Subsidiary undertakings	Principal activity	Country of incorporation	Registration Number	Holding	Proportion of voting rights and ownership
Directly held by Greene King Limited					
Gie us Peece Limited[3]	Holding company	Scotland	SC472578	Ordinary shares	100%
Greene King CH Investments Limited[1,7]	Property	England & Wales	13598718	Ordinary shares	100%
Greene King Commercial Investments Limited[1]	Property	England & Wales	13598563	Ordinary shares	100%
Greene King Developments Limited[1]	Financing	England & Wales	07425525	Ordinary shares	100%
Greene King GP Limited[1,8]	Dormant	England & Wales	01158678	Ordinary shares	100%
Greene King Investments Limited[1,7]	Holding company	England & Wales	07426985	Ordinary shares	100%
Greene King Pension Scheme Limited[1,8]	Pension trustee	England & Wales	00916075	Ordinary shares	100%
Greene King Properties Limited[1]	Property	England & Wales	07543698	Ordinary shares	100%
Greene King Property Development Limited[1,7]	Property	England & Wales	13598526	Ordinary shares	100%
Greene King Pubs Limited[1,7]	Holding company	England & Wales	07427021	Ordinary shares	100%
Greene King Residential Investments Limited[1,7]	Property	England & Wales	13588101	Ordinary shares	100%
Greene King Retailing Parent Limited[1]	Holding company	England & Wales	05265454	Ordinary shares	100%
Johoco 2029 Limited[6]	Holding company	England & Wales	09211866	Ordinary shares	100%
Norman Limited[2]	Holding company	Guernsey	48085	Ordinary shares	100%
Project Spirit Property 1 Limited[5]	Non-trading	Isle of Man	016598V	Ordinary shares	100%
Project Spirit Property 2 Limited[5]	Non-trading	Isle of Man	016599V	Ordinary shares	100%
Project Spirit Property 3 Limited[5]	Non-trading	Isle of Man	016600V	Ordinary shares	100%
Spirit Pub Company Limited[1,7]	Holding company	England & Wales	07662835	Ordinary shares	100%
The Capital Pub Company Limited[1,7]	Financing	England & Wales	04119367	Ordinary shares	100%
Indirectly held by Greene King Limited					
Allied Kunick Entertainments Limited[1]	Non-trading	England & Wales	02911600	Ordinary shares	100%
Ashes Investment LP[1]	Financing	England & Wales	LP013616	Partnership Capital	100%
Bar Lounge Limited[6]	Retailing	England & Wales	04755626	Ordinary shares	100%
Belhaven Brewery Company Limited[3]	Financing	Scotland	SC022860	Ordinary shares	100%
Belhaven Pubs Limited[3,7]	Holding company	Scotland	SC146920	Ordinary shares	100%
Cleveland Place Holdings Limited[1,8]	Holding company	England & Wales	00057987	Ordinary shares	100%
CPH Palladium Limited[1,7]	Holding company	England & Wales	04661726	Ordinary shares	100%
Dearg Limited[1,7]	Holding company	England & Wales	04661724	Ordinary shares	100%
Freshwild Limited[1,8]	Holding company	England & Wales	04555609	Ordinary shares	100%
G.K. Holdings No.1 Limited[1,7]	Holding company	England & Wales	06996820	Ordinary shares	100%
Greene King Acquisitions No.2 Limited[1,7]	Holding company	England & Wales	05462825	Ordinary shares	100%
Greene King Brewing and Retailing Limited[1]	Brewing and retailing	England & Wales	03298903	Ordinary shares	100%
Greene King Leasing No.1 Limited[1,7]	Holding company	England & Wales	00025090	Ordinary shares	100%
Greene King Leasing No.2 Limited[1]	Financing	England & Wales	02191112	Ordinary shares	100%
Greene King Neighbourhood Estate Pubs Limited[1]	Financing	England & Wales	05073303	Ordinary shares	100%
Greene King Retail Services Limited[1]	Employment	England & Wales	03324496	Ordinary shares	100%
Greene King Retailing Limited[1]	Pub retailing	England & Wales	05265451	Ordinary shares	100%
Greene King Services Limited[1]	Employment	England & Wales	03324493	Ordinary shares	100%
Hardys & Hansons Limited[1,7]	Non-trading	England & Wales	00052412	Ordinary shares	100%
Hickory's (ROS) Ltd[6]	Retailing	England & Wales	08119161	Ordinary shares	100%
Hickory's Smokehouse Limited[6]	Dormant	England & Wales	07122366	Ordinary shares	100%
Hickory's (West Kirby) Limited[6]	Dormant	England & Wales	08118716	Ordinary shares	100%
Huggins and Company Limited[1]	Financing	England & Wales	00056674	Ordinary shares	100%
Jeely Peece Limited[3]	Holding company	Scotland	SC112027	Ordinary shares	100%
LFR Group Limited[3]	Dormant	Scotland	SC202775	Ordinary shares	100%
Mountloop Limited[1,8]	Financing	England & Wales	04555610	Ordinary shares	100%
Narnain[1,8]	Holding company	England & Wales	04700766	Ordinary shares	100%
Old English Inns Limited[1,7]	Financing	England & Wales	03864820	Ordinary shares	100%
Premium Dining Restaurants and Pubs Limited[3]	Retailing	Scotland	SC181811	Ordinary shares	100%

Subsidiary undertakings	Principal activity	Country of incorporation	Registration Number	Holding	Proportion of voting rights and ownership
Indirectly held by Greene King Limited continued					
R.V. Goodhew Limited[1,8]	Financing	England & Wales	00941642	Ordinary shares	100%
				Deferred ordinary shares	100%
Realpubs Developments Limited[1,7]	Financing	England & Wales	06435334	Ordinary shares	100%
Realpubs II Limited[1,7]	Financing	England & Wales	06435335	Ordinary shares	100%
Sapphire Food South West No.2 Limited[1,8]	Dormant	England & Wales	04524261	Ordinary shares	100%
Serkin Limited[3]	Retailing	Scotland	SC064952	Ordinary shares	100%
Spirit (AKE Holdings) Limited[1,8]	Holding company	England & Wales	03982423	Ordinary shares	100%
Spirit (Faith) Limited[1]	Financing	England & Wales	03724077	Ordinary shares	100%
Spirit (Legacy) Pension Trustee Limited[1,8]	Pension trustee	England & Wales	07729971	Ordinary shares	100%
Spirit (SGL) Limited[1]	Holding company	England & Wales	03982443	Ordinary shares	100%
Spirit Financial Holdings Limited[1]	Holding company	England & Wales	04320672	Ordinary shares	100%
Spirit Finco Limited[4]	Financing	Cayman Islands	114500	Ordinary shares	100%
Spirit Funding Limited[4]	Financing	Cayman Islands	114506	Ordinary shares	100%
Spirit Group Equity Limited[1,7]	Holding company	England & Wales	04271971	Ordinary shares	100%
Spirit Group Holdings Limited[1,7]	Holding company	England & Wales	04872028	Ordinary shares	100%
Spirit Group Parent Limited[1,7]	Holding company	England & Wales	04872039	Ordinary shares	100%
Spirit Group Retail (Northampton) Limited[1,8]	Financing	England & Wales	04090163	Ordinary shares	100%
				Preference shares	100%
Spirit Group Retail Limited[1]	Holding company	England & Wales	03794854	Ordinary shares	100%
				Preference shares	100%
Spirit Intermediate Holdings Limited[1,8]	Holding company	England & Wales	04914762	Ordinary shares	100%
Spirit Managed Funding Limited[1]	Financing	England & Wales	05266806	Ordinary shares	100%
				Preference shares	100%
Spirit Managed Holdings Limited[1,7]	Holding company	England & Wales	04271973	Ordinary shares	100%
Spirit Managed Inns Limited[1]	Financing	England & Wales	05266815	Ordinary shares	100%
Spirit Parent Limited[1,8]	Holding company	England & Wales	04271748	Ordinary shares	100%
Spirit Pub Company (Derwent) Limited[1,8]	Financing	England & Wales	08822132	Ordinary shares	100%
Spirit Pub Company (Holdco) Limited[1,7]	Holding company	England & Wales	07662211	Ordinary shares	100%
Spirit Pub Company (Investments) Limited[1,7]	Financing	England & Wales	07020781	Ordinary shares	100%
Spirit Pub Company (Leased) Limited[1]	Leasing of public houses	England & Wales	05699544	Ordinary shares	100%
Spirit Pub Company (Managed) Limited[1]	Pub retailing	England & Wales	05269240	Ordinary shares	100%
Spirit Pub Company (Services) Limited[1]	Intercompany recharging vehicle	England & Wales	05266811	Ordinary shares	100%
Spirit Pub Company (SGE) Limited[1,7]	Holding company	England & Wales	07662502	Ordinary shares	100%
Spirit Pub Company (Supply) Limited[1]	Intercompany recharging vehicle	England & Wales	04341771	Ordinary shares	100%
Spirit Pub Company (Trent) Limited[1]	Pub retailing	England & Wales	05746068	Ordinary shares	100%
Spirit Pubs Debenture Holdings Limited[1,8]	Holding company	England & Wales	05266779	Ordinary shares	100%
Spirit Pubs Parent Limited[1,8]	Holding company	England & Wales	05267589	Ordinary shares	100%
Spirit Retail Bidco Limited[1,8]	Holding company	England & Wales	04872046	Ordinary shares	100%
The Chef & Brewer Group Limited[1]	Holding company	England & Wales	00455013	Ordinary shares	100%
Tom Cobleigh Limited[1,8]	Financing	England & Wales	02673413	Ordinary shares	100%
Ubiquitous Chip Ltd[3]	Retailing	Scotland	SC111803	Ordinary shares	100%
Upstairs at the Grill Limited[6]	Dormant	England & Wales	04750556	Ordinary shares	100%

1. Registered office: Westgate Brewery, Bury St. Edmunds, Suffolk, IP33 1QT.
2. Registered office: Hambro House, St Julian's Avenue, St Peter Port, Guernsey, GY1 3AE.
3. Registered office: Belhaven Brewery, Brewery Lane, Dunbar, East Lothian, EH42 1PE.
4. Registered office: PO Box 309, Ugland House, Grand Cayman, KY1-1004.
5. First Names House, Victoria Road, Douglas, Isle of Man, IM2 4DF
6. Suites G & H Ground Floor Steam Mill, Steam Mill Street, Chester, Cheshire, CH3 5AN
7. These companies are exempt from the requirement to prepare individual audited financial statements in respect of the 52 week period ended 1 January 2023 by virtue of sections 479A and 479C of the Companies Act 2006.
8. These companies are exempt from the requirement to prepare and file individual dormant financial statements in respect of the 52 week period ended 1 January 2023 by virtue of sections 394C and 448C of the Companies Act 2006.

16 INVENTORIES

	1 January 2023 £m	2 January 2022 £m
Raw materials and work in progress	**2.8**	4.3
Finished goods and goods for resale	**48.0**	42.1
Consumable stores	**3.1**	2.2
	53.9	48.6

Stock provisions decreased by £1.5m (prior period: £0.2m) in the period.

In the prior period, management wrote off inventory of £1.1m due to the government's decision for a third national lockdown and closure of UK pubs until reopening on 12 April 2021, for outdoor service, and 17 May 2021 for business indoors.

17 TRADE AND OTHER RECEIVABLES

	1 January 2023 £m	2 January 2022 £m
Trade receivables	**62.0**	63.2
Other receivables	**53.1**	54.7
Amounts owed from related parties (note 30)	**22.4**	28.4
Total current	**137.5**	146.3
Pension escrow account	**1.5**	-
Total non-current	**1.5**	-

Trade and other receivables are non-interest bearing.

Trade receivables are shown net of a loss allowance of £7.5m (prior period: £7.5m). Information about the group's exposure to credit and market risks, and impairment losses for trade receivables is included in note 23.

18 CASH AND CASH EQUIVALENTS

	1 January 2023 £m	2 January 2022 £m
Cash at bank and in hand	**87.5**	91.0
Short-term deposits	**-**	4.0
Cash and cash equivalents for balance sheet	**87.5**	95.0
Bank overdrafts (note 23)	**-**	(0.5)
Cash and cash equivalents for cash flow	**87.5**	94.5

Included in cash at bank and in hand and short-term deposits is £47.4m (prior period: £60.4m) held within securitised bank accounts which are only available for use by the Greene King secured financing vehicle.

The Greene King secured financing vehicle comprises Greene King Retailing Parent Limited and one of its subsidiaries.

Interest receivable on cash and short-term deposits is linked to prevailing interest rates and is received either monthly or quarterly.

19 PROPERTY, PLANT AND EQUIPMENT HELD FOR SALE

	1 January 2023 £m	2 January 2022 £m
Property, plant and equipment held for sale	**5.1**	5.6

At the year end, property, plant and equipment held for sale of £5.1m (prior period: £5.6m) represents pubs that are being actively marketed for sale with expected completion dates within one year. The value of property, plant and equipment held for sale represents the expected net disposal proceeds; further details on the valuation of fair value less costs of disposal are held in note 11. The impairment charge on assets held for sale was £2.1m (prior period: £0.1m).

20 TRADE AND OTHER PAYABLES

	1 January 2023 £m	2 January 2022 £m
Trade payables	**79.4**	74.2
Other payables		
– Other taxation and social security costs	**36.7**	57.2
– Accruals and deferred income	**290.0**	207.2
– Interest payable	**6.3**	14.5
Total current	**412.4**	353.1

Trade payables and other payables are non-interest bearing. Interest payable is mainly settled monthly, quarterly, or semi-annually throughout the period, in accordance with the terms of the related financial instrument.

21 LEASES

Group as a lessee

The group has lease contracts for property and various items of plant, machinery, vehicles and other equipment used in its operations. Rental contracts are on average for a lease term of 31 years. The group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the group is restricted from assigning and subleasing the leased assets and some contracts require the group maintain certain financial ratios. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

The group also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Information about leases for which the group is a lessee is presented below:

	Right-of-use assets		
	Property	Plant and Equipment	Total
	£m	£m	£m
Cost			
At 3 January 2021	**659.2**	**25.1**	**684.3**
Additions	18.8	4.0	**22.8**
Disposals	(15.4)	(2.6)	**(18.0)**
Transfer to Property, Plant and Equipment (note 11)	(98.2)	-	**(98.2)**
Remeasurement	37.9	-	**37.9**
At 2 January 2022	**602.3**	**26.5**	**628.8**
Additions	8.5	21.4	29.9
Business acquisition (note 13)	37.5	-	37.5
Disposals	(4.9)	(3.7)	(8.6)
Transfer to Property, Plant and Equipment (note 11)	(5.3)	-	(5.3)
Remeasurement	(32.5)	2.8	(29.7)
At 1 January 2023	**605.6**	**47.0**	**652.6**
Depreciation and impairment			
At 3 January 2021	**67.0**	**8.9**	**75.9**
Depreciation	33.3	5.6	**38.9**
Written back on disposals	(10.4)	(2.5)	**(12.9)**
Transfer to Property, Plant and Equipment (note 11)	(5.8)	-	**(5.8)**
Impairment	3.5	-	**3.5**
At 2 January 2022	**87.6**	**12.0**	**99.6**
Depreciation	25.7	7.1	32.8
Written back on disposals	(3.3)	(3.2)	(6.5)
Transfer to Property, Plant and Equipment (note 11)	(1.1)	-	(1.1)
Impairment	0.9	-	0.9
At 1 January 2023	**109.8**	**15.9**	**125.7**
Net book value			
At 1 January 2023	**495.8**	**31.1**	**526.9**
At 2 January 2022	514.7	14.5	529.2
At 3 January 2021	592.2	16.2	608.4

Impairment of Right-of-use assets

During the period to 1 January 2023 the group has recognised a net impairment of £0.9m (prior period: £3.5m). This is comprised of an impairment charge of £5.4m (prior period: £5.5m) and reversal of previously recognised impairment losses of £4.5m (prior period: £2.0m). The recoverable amounts for assets impaired were based on a combination of value in use or fair value less cost of disposal.

These are analysed between the group's principal reporting segments as shown below:

	1 January 2023			2 January 2022		
	Impairment	**Reversal of impairment**	**Net impairment**	Impairment	Reversal of impairment	Net Impairment
	£m	**£m**	**£m**	£m	£m	£m
Premium, Urban and Venture	**0.4**	**(1.5)**	**(1.1)**	1.4	(0.1)	1.3
Local Pubs	**0.9**	**(0.1)**	**0.8**	0.5	-	0.5
Destination Food Brands	**2.5**	**(2.0)**	**0.5**	1.9	(0.3)	1.6
Pub Partners	**0.1**	**(0.3)**	**(0.2)**	0.2	-	0.2
Corporate	**1.5**	**(0.6)**	**0.9**	1.5	(1.6)	(0.1)
	5.4	**(4.5)**	**0.9**	5.5	(2.0)	3.5

The group considers that each of its individual pubs is a cash-generating unit (CGU), ROUA has been considered within the wider impairment process of Property, Plant and Equipment. For details on the impairment process see note 11.

Sensitivity to changes in assumptions

The level of impairment is predominantly dependent upon judgments used in arriving at fair values, future growth rates and the discount rate applied to cash flow projections. The net impact on the impairment charge of applying different assumptions to fair values, the growth rates used to calculate cash flow projections and in the pre-tax discount rates used to estimate value in use would be as follows:

Increased net impairment resulting from:	**A 10% reduction in fair value less cost of disposal**		**A 5% reduction in the 5-year strategy plan net cash flows**[1]		**A 0.5% pts increase in discount rate**		**A 25% reduction in long-term growth rate**	
	1 January 2023	2 January 2022	**1 January 2023**	2 January 2022	**1 January 2023**	2 January 2022	**1 January 2023**	2 January 2022
	£m	£m	**£m**	£m	**£m**	£m	**£m**	£m
Local Pubs	**0.1**	0.1	**0.1**	n/a	**0.1**	-	**-**	-
Destination Food Brands	**-**	0.1	**0.1**	n/a	**0.2**	0.1	**0.1**	0.1
Pub Partners	**-**	-	**0.1**	n/a	**0.1**	-	**0.1**	-
Corporate	**0.2**	(0.2)	**-**	n/a	**-**	-	**-**	-
	0.3	-	**0.3**	n/a	**0.4**	0.1	**0.2**	0.1

[1]Management have introduced a new sensitivity in the current year of a 5% reduction in net cash flows. The prior year impact has not been assessed.

Lease liabilities

Lease liabilities included in the statement of financial position	**£m**
As at 3 January 2021	**732.0**
Additions	22.8
Interest expense relating to lease liabilities	22.8
Disposals	(10.3)
Transfer to property, plant and equipment (note 11)	(138.9)
Remeasurements	37.9
Repayment of lease liabilities (including interest)	(70.3)
Rent concessions	(3.2)
As at 2 January 2022	**592.8**
Additions	29.8
Acquisition of subsidiaries (note 13)	15.3
Interest expense relating to lease liabilities	20.6
Disposals	(3.1)
Transfer to property, plant and equipment (note 11)	(6.9)
Remeasurements	(30.2)
Repayment of lease liabilities (including interest)	(52.4)
Rent concessions	(1.6)
As at 1 January 2023	**564.3**

Maturity of lease liability

	1 January 2023 £m	2 January 2022 £m
Current	**26.3**	35.7
Non-current	**538.0**	557.1

Maturity analysis – contractual undiscounted cashflows:		
Less than one year	**51.3**	55.6
One to five years	**173.6**	168.7
More than five years	**726.5**	766.1
Total undiscounted lease liabilities	**951.4**	990.4

Amounts recognised in the statement of profit and loss

	1 January 2023 £m	2 January 2022 £m
Depreciation on right-of-use assets		
Property	**25.7**	33.3
Plant and equipment	**7.1**	5.6
Other lease expense and sublease income	**-**	(1.3)
Charged to Operating Profit	**32.8**	37.6
Interest expense related to lease liabilities	**20.6**	22.8
Charge to Profit before Taxation for leases	**53.4**	60.4

The total cash outflow for leases was £52.4m (prior period: £70.3m).

Extension and termination options

Some property and machinery contain extension or termination options exercisable by group before the end of the non-cancellable period. Where practicable, the group seeks to include these options in new leases to provide operational flexibility. These extension and termination options held are exercisable only by the group and not by the lessors. The group assesses at lease commencement whether it is reasonably certain to exercise the extension or termination options. The group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

The group has estimated that the potential future lease payments, should it exercise the extension options, would result in an increase in future cash outflows of £57.5m (prior period: £108.9m) and should it exercise the termination options, would result in a decrease in cash outflows of £15.3m (prior period: £10.9m).

Rent concessions

The group negotiated rent concessions with its landlords for some of our property leases as a result of the severe impact of the Covid-19 pandemic during the period. The group applied the practical expedient for Covid-19 related rent concessions consistently to eligible rent concessions relating to its property leases up to the applicable date of 30 June 2022.

The amount recognised in adjusting items for the reporting period to reflect changes in lease payments arising from rent concessions to which the group has applied the practical expedient for Covid-19-related rent concessions is £1.6m (prior period: £3.2m).

The group recognised £nil (prior period: £1.2m) of remeasurements to reflect changes in lease terms arising from rent concessions negotiated with landlords that did not meet the requirements of the practical expedient.

The group provided rent concessions as a result of the Covid-19 outbreak for their tenants totalling £nil (prior period: £17.1m).

22 BORROWINGS

		1 January 2023			2 January 2022		
		Current	**Non-current**	**Total**	Current	Non-current	Total
	Repayment date	**£m**	**£m**	**£m**	£m	£m	£m
Bank overdrafts	On demand	-	-	-	0.5	-	0.5
Bank Loans:							
– Revolving loans	2024-2025	-	**738.0**	**738.0**	-	219.0	219.0
– Term Loans	2025	-	**79.8**	**79.8**	-	79.7	79.7
Other Loans:							
– Revolving loans from related parties	2024	-	**311.0**	**311.0**	1,376.0	-	1,376.0
Secured debt:							
– Issued by Greene King Finance plc	2031 to 2036	**54.1**	**1,019.6**	**1,073.7**	60.9	1,253.7	1,314.6
– Issued by Spirit Issuer plc	2022	-	-	-	99.5	-	99.5
		54.1	**2,148.4**	**2,202.5**	1,536.9	1,552.4	3,089.3

Bank overdrafts

Overdrafts are utilised for the day-to-day management of cash. The group has facilities of £10.0m (prior period: £15.0m) available with interest linked to base rate.

Bank loans – unsecured

The group has available unsecured loan facilities totalling £900.0m, comprising £820.0m revolving loan facilities and a £80.0m term loan facility. This includes a new £300.0m revolving credit facility which was executed in November 2022. The loans are guaranteed by CK Asset Holdings Limited, the group's ultimate parent. The facilities are available to be used for general corporate purposes.

Of the £820.0m (prior period: £520.0m) available under the revolving loan facilities, £740.0m (prior period: £220.0m) was drawn down at the period end with a carrying value of £738.0m (prior period: £219.0m) which included £2.0m (prior period: £1.0m) of fees. The £80.0m term loan was fully drawn with a carrying value of £79.8m (prior period: £79.7m) which included £0.2m (prior period: £0.3m) of fees.

Under the revolving loan facilities, any amounts drawn down bear interest at a margin and credit adjustment spread above SONIA and commitment interest is charged on the undrawn portions. Interest is payable upon repayment of each draw-down, which vary in length. Although any individual draw-downs are repayable within 12 months of the balance sheet date, the group expects to renew this funding and immediate renewal is available until the maturity of the facilities which fall between December 2024 and November 2025. Under each facility, final repayment of the total drawn-down balance is due as one payment on the maturity date.

Under the term loan facility, the drawn amount bears interest at a margin and credit adjustment spread above SONIA and interest is payable at the end of each interest period, which may vary in length. The drawn amount is repayable on maturity of the facility in February 2025.

Other loans - unsecured

The group has available an unsecured revolving loan facility with CKA Holdings UK Limited, an intermediate parent. The facility is available to be used for general corporate purposes.

In April 2022 the group extended the term of the facility by two years, taking the maturity of the facility to November 2024. The remaining terms of the facility remain unchanged.

In October 2022, the group made a significant partial repayment under the facility of £915.0m. This was funded by a subscription for 915 ordinary shares in Greene King Limited by the group's immediate parent, CK Noble (UK) Limited, for an aggregate subscription price of £915.0m.

Of the £1,500.0m (prior period: £1,500.0m) available under the facility, £311.0m (prior period: £1,376.0m) was drawn down at the year end with a carrying value of £311.0m (prior period: £1,376.0m).

Any amounts drawn down bear interest at a fixed rate of 2.7% and interest is payable following the end of each interest period which vary in length. Drawn amounts are repayable on maturity of the facility in November 2024. The group has the ability to prepay any drawn amounts and any amounts prepaid may be reborrowed prior to the maturity of the facility.

Greene King secured financing vehicle

The group has issued various tranches of bonds in connection with the securitisation of pubs operated by Greene King Retailing Limited. The bonds are secured over the properties and their future income streams and were issued by Greene King Finance plc.

The group's securitised debt issued by Greene King Finance plc consists of the following tranches:

		Carrying value (£m)[1]					
Tranche	**Nominal value (£m)**	**1 January 2023**	2 January 2022	**Interest**	**Interest rate (%)[2]**	**Last repayment period**	**Weighted average life[3]**
A2	183.0	**181.6**	192.8	Fixed	5.32	2031	5.1 years
A4	238.2	**237.1**	252.8	Fixed	5.11	2034	6.2 years
A5	-	**-**	190.9	Floating	3.93	2033	-
A6	210.5	**207.9**	222.5	Fixed	4.06	2035	6.9 years
A7	230.4	**227.3**	236.0	Fixed	3.59	2035	6.5 years
B1	120.9	**120.3**	120.1	Floating	6.96	2034	10.4 years
B2	99.9	**99.5**	99.5	Floating	6.92	2036	12.5 years
	1,082.9	**1,073.7**	1,314.6				

1. Carrying value is net of related deferred finance fees.
2. Includes the effect of interest rate swap rates on the floating rate notes; the group's interest rate swap arrangements are discussed in note 23.
3. Assumes notes are held until final maturity.

The interest payable on each of the floating rate tranches is as follows:

Tranche	**Interest rate payable[1]**	**Interest rate swap**	**Total interest rate**
B1	S+1.80%	5.16%-S	6.96%
B2	S+2.08%	4.84%-S	6.92%

1. For the floating rate bonds the interest rate payable is the compounded SONIA plus 0.1193% (this sum being denoted by "S" above) plus the margin as shown.

Repayment of the nominal is made by quarterly instalments, in accordance with the repayment schedule, over the period shown above. Payment of interest is made on quarterly dates for all classes of bond. All of the floating rate bonds are fully hedged using interest rate swaps.

The Class A2, A4, A6 and A7 bonds rank pari passu in point of security and as to payment of interest and principal and have preferential interest payment and repayment rights over the Class B bonds. The Class B1 and B2 bonds rank pari passu in point of security, principal repayment and interest payment.

The securitisation is governed by various covenants, warranties and events of default, many of which apply to Greene King Retailing Limited, a group company. These include covenants regarding the maintenance and disposal of securitised properties and restrictions on its ability to move cash to other group companies.

The group has available liquidity facilities totalling £224.0m (prior period: £224.0m) which can only be used for the purpose of meeting the securitisation's debt service obligations should there ever be insufficient funds available from operations to meet such payments. There were no drawdowns under these facilities during the period and the drawn down amount at the year end was £nil (prior period: £nil).

In December 2022 the group fully repaid the £179.9m Class A5 secured bonds issued by Greene King Finance plc at par and terminated the corresponding interest rate swap contract. See notes 5 and 23 for further details.

Spirit secured financing vehicle

Following the acquisition of Spirit Pub Company in 2015, the group had various secured loan notes issued by Spirit Issuer plc. The secured loan notes were secured by way of fixed and floating charges over various property assets of Spirit Pub Company (Managed) Ltd and Spirit Pub Company (Leased) Ltd. In September 2022, the group fully repaid the remaining £96.7m Class A5 secured loan notes issued by Spirit Issuer plc at a clean price of 106.0% and terminated the corresponding interest rate swap contract. See note 5 and 23 for further details.

23 FINANCIAL INSTRUMENTS

The group holds the following financial instruments:

		1 January 2023			2 January 2022		
		Current	Non-current	Total	Current	Non-current	Total
	Note	£m	£m	£m	£m	£m	£m
Financial assets							
Financial assets at amortised cost							
Trade receivables	17	**62.0**	**-**	**62.0**	63.2	-	63.2
Pension escrow account	17	**-**	**1.5**	**1.5**	-	-	-
Financial assets	14	**5.0**	**8.5**	**13.5**	3.5	5.7	9.2
Cash and cash equivalents	18	**87.5**	**-**	**87.5**	94.5	-	94.5
Amounts owed from related parties	17	**22.4**	**-**	**22.4**	28.4	-	28.4
		176.9	**10.0**	**186.9**	189.6	5.7	195.3
Financial liabilities							
Liabilities at amortised cost							
Trade payables and accruals	20	**375.7**	**-**	**375.7**	295.9	-	295.9
Borrowings	22	**54.1**	**2,148.4**	**2,202.5**	1,536.9	1,552.4	3,089.3
Lease liabilities	21	**26.3**	**538.0**	**564.3**	35.7	557.1	592.8
Derivative financial instruments							
Designated as hedging instruments	23	**1.4**	**23.0**	**24.4**	10.7	94.9	105.6
Not designated as hedging instruments	23	**-**	**-**	**-**	-	7.2	7.2
		457.5	**2,709.4**	**3,166.9**	1,879.2	2,211.6	4,090.8

Financial risk management

The primary treasury objectives of the group are to identify and manage the financial risks that arise in relation to underlying business needs and provide secure and competitively priced funding for the activities of the group. If appropriate, the group uses financial instruments and derivatives to manage these risks.

The principal financial instruments held for the purpose of raising finance for operations are bank loans and overdrafts, secured bonds, cash and short-term deposits. Other financial instruments arise directly from the operations of the group, such as trade and other receivables, trade payables, trade loans and lease liabilities.

Derivative financial instruments, principally interest rate swaps, are used to manage the interest rate risks related to the group's operations and financing sources. No speculative trading in derivative financial instruments is undertaken.

The main risks arising from the group's financial instruments are interest rate risk, liquidity risk and credit risk. The policy for managing each of these risks is set out below.

Derivatives

The group has the following derivative financial instruments:

Financial instruments qualifying for hedge accounting

At 1 January 2023 the group held two (prior period: three) interest rate swap contracts for a nominal value of £220.8m (prior period: £411.7m), which are designated cash flow hedges against £220.8m (prior period: £411.7m) of variable rate bonds issued by Greene King Finance plc. These swaps are hedges of the B1 and B2 tranches, receiving a variable rate of interest based on SONIA and paying a fixed rate of 5.155% on the B1 tranche and 4.837% on the B2 tranche. The weighted average fixed rate of the swaps was 5.0% (prior period: 3.3%).

In December 2022 the group terminated the interest rate swap contract in connection with the repayment of A5 Greene King secured bond, resulting in a cash receipt of £19.9m. Upon termination, a loss of £17.3m was recycled from the hedging reserve to the income statement in respect of the interest rate swap, which has been recognised in adjusting finance costs (see note 5).

The interest rate swaps hedging the B1 and B2 tranches are held on the balance sheet at a fair value liability of £24.4m (prior period: £105.6m). The contract maturity dates range from December 2034 to March 2036. Prospective hedge effectiveness testing is performed, and the bonds and related interest rate swaps have the same critical terms excluding credit risk.

Scheduled cash payments of £9.2m (prior period: £13.6m) made in respect of the swaps have been initially recognised on an accrual basis in the hedging reserve and then transferred to the income statement during the period as the hedged cash flows have affected profit or loss. Amounts transferred to the income statement in respect of these payments have been recognised in underlying finance costs.

Changes in cash flow hedge fair values are recognised in the hedging reserve to the extent that the hedges are effective. The interest rate swaps have been assessed as highly effective during the period and are expected to remain highly effective over their remaining contract lives. The ineffectiveness during the period, which is recognised within finance costs, amounted to £nil (prior period: £nil).

Financial instruments not qualifying for hedge accounting

In September 2022, the group terminated the interest rate swap in connection with the repayment of Spirit A5 secured bond, resulting in cash payment of £2.5m. Upon termination, the gain of £0.2m was recognised in adjusting finance costs (see note 5).

At 1 January 2023, the group holds no (prior period: one) financial instruments not qualifying for hedge accounting.

Interest rate risk

Exposure to changes in interest rates on the group's borrowings is reviewed with regard to the maturity profile and cash flows of the underlying debt. The group uses a mixture of fixed and floating interest rate debt with exposure to market interest rate fluctuations primarily arising from the floating rate instruments. The group enters into interest rate swaps to manage the exposure. Certain swaps are designated as cash flow hedges at the date of contract included within the accounts and tested for effectiveness at each reporting date.

In accordance with IFRS 7, the group has undertaken sensitivity analysis on its financial instruments which are affected by changes in interest rates. This analysis has been prepared on the basis of a constant amount of net debt, a constant ratio of fixed to floating interest rates, and on the basis of the hedging instruments in place at 1 January 2023 and 2 January 2022. The analysis relates only to balances at these dates and is not representative of the period as a whole. The following assumptions were made:

- Balance sheet sensitivity to interest rates applies only to derivative financial instruments, as the carrying value of debt and deposits does not change as interest rates move.
- Gains and losses are recognised within other comprehensive income or the income statement in line with the accounting policies of the group.
- Cash flow hedges were assumed to be effective or ineffective on the same basis as those as at the year end.

Based on the group's net position at the year end, a 1% increase or decrease in interest rates would change the group's profit before tax by approximately £7.3m (prior period: £1.3m) and the group's OCI by £20.9m (prior period: £50.5m). An increase in interest rates would decrease (prior period: increase) the group's profit and increase (prior period: increase) OCI.

Whilst cash flow interest rate risk is largely eliminated, the use of fixed rate borrowings and derivative financial instruments exposes the group to fair value interest rate risk such that the group would not significantly benefit from falls in interest rates and would be exposed to unplanned costs, such as break costs, should debt or derivative financial instruments be restructured or repaid early.

The percentage of net debt that was fixed as at the year end was 65.5% (prior period: 93.2%).

IBOR Reform

In accordance with the UK Financial Conduct Authority's announcement on 5 March 2021, Sterling LIBOR benchmark rates were discontinued after 31 December 2021. At 1 January 2023 the group held no contracts which referenced GBP LIBOR which had not been yet transitioned to SONIA or an alternative interest rate benchmark.

Liquidity risk

The group mitigates liquidity risk by managing cash generated by its operations combined with bank borrowings and long-term debt. The group's objective is to maintain a balance between the continuity of funding and flexibility through the use of overdrafts and bank loans. The group also monitors the maturity of financial liabilities to avoid the risk of a shortage of funds.

The standard payment terms that the group has with its suppliers is 60 days following month end (prior period: 60 days following month end).

Excess cash used in managing liquidity is placed on interest-bearing deposit using instant-access money market deposit accounts. Short-term flexibility is achieved through the use of short-term borrowing on the money markets under the group's revolving credit facilities.

The table below summarises the maturity profile of the group's financial liabilities at 1 January 2023 and 2 January 2022 based on contractual undiscounted payments including interest.

1 January 2023	Within 1 year £m	1–2 years £m	2–5 years £m	>5 years £m	Total £m
Interest bearing loans and borrowings:					
– Capital	**55.4**	**573.8**	**837.6**	**747.2**	**2,214.0**
– Interest	**101.1**	**101.6**	**142.1**	**155.3**	**500.1**
	156.5	**675.4**	**979.7**	**902.5**	**2,714.1**
Interest rate swaps settled net	**1.4**	**1.1**	**7.4**	**21.6**	**31.5**
	157.9	**676.5**	**987.1**	**924.1**	**2,745.6**
Trade payables and accruals	**375.8**	**-**	**-**	**-**	**375.8**
Lease liabilities	**51.3**	**46.5**	**127.1**	**726.5**	**951.4**
	585.0	**723.0**	**1,114.2**	**1,650.6**	**4,072.8**

2 January 2022	Within 1 year £m	1–2 years £m	2–5 years £m	>5 years £m	Total £m
Interest bearing loans and borrowings:					
– Capital	1,535.3	67.1	544.5	951.2	3,098.1
– Interest	94.5	57.3	142.2	169.6	463.6
	1,629.8	124.4	686.7	1,120.8	3,561.7
Interest rate swaps settled net	10.7	8.5	25.6	75.4	120.2
	1,640.5	132.9	712.3	1,196.2	3,681.9
Trade payables and accruals	296.2	-	-	-	296.2
Lease liabilities	55.6	45.9	122.8	766.1	990.4
	1,992.3	**178.8**	**835.1**	**1,962.3**	**4,968.5**

Credit risk

Financial assets include trade loans, cash and cash equivalents and trade and other receivables. Credit risk is the risk of default by the counterparty to discharge their obligation and the maximum exposure of the group is the carrying amount of these instruments. The credit risk on cash and cash equivalents is limited by investment of surplus funds with banks and financial institutions with high credit ratings assigned by international credit agencies.

The policy for third party trading is that all customers who wish to trade on credit terms are subject to regular credit verification procedures. Receivable balances are also monitored on an ongoing basis and provided against where deemed necessary to limit the exposure to bad debts to a non-significant level.

Security is held for certain free trade loan customers. No other significant collateral is held and there are no significant concentrations of credit risk within the group.

Impairment of financial assets
The group has two types of financial assets that are subject to the expected credit loss model:

- trade and other receivables
- financial assets (trade loans with publicans) held at amortised cost

Impairment losses on financial assets and trade and other receivables recognised in profit or loss were as follows:

	1 January 2023 £m	2 January 2022 £m
Non-Adjusting:		
Impairment loss/(reversal) on trade and other receivables	**3.8**	(0.8)
	3.8	(0.8)
Adjusting:		
Impairment reversal on trade and other receivables	**(2.8)**	(3.3)
Impairment reversal on financial assets (trade loans with publicans)	**(4.5)**	(1.7)
	(7.3)	(5.0)
	(3.5)	(5.8)

For more detail on Adjusting items refer to note 5.

Trade receivables
An impairment analysis is performed at each reporting date using a provision matrix to measure the expected credit losses for trade receivables. The provision rates are based on days past due. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The group writes off a trade receivable when there is objective evidence that the debtor is in significant financial difficulty and there is no realistic prospect of recovery.

For the period ended 1 January 2023, the provision matrix has been refined as the risk of customer default due to Covid-19 is deemed no longer significant. The assessment still includes in-depth discussions with key management to reflect the aging analysis of live debts to incorporate deterioration as an indicator of financial distress of customers and a more detailed segmentation of customers to reflect their risk profile.
Set out below is the information about the credit risk exposure on the group's trade receivables using a provision matrix:

	1 January 2023			2 January 2022		
	Gross £m	**Provision £m**	**Net £m**	Gross £m	Provision £m	Net £m
Not past due	**57.8**	**(1.4)**	**56.4**	48.3	(1.1)	47.2
Past due						
– Less than 30 days	**3.8**	**(0.3)**	**3.5**	6.2	(1.1)	5.1
– 30-60 days	**0.9**	**(0.2)**	**0.7**	2.7	(0.4)	2.3
– Greater than 60 days	**7.0**	**(5.6)**	**1.4**	13.5	(4.9)	8.6
	69.5	**(7.5)**	**62.0**	70.7	(7.5)	63.2

Financial assets
The group measures expected credit losses for financial assets held at amortised cost by keeping a system that identifies debts that are at a high risk of non-recovery. Once the debts are moved into this system, the risk related to the debt is considered to have significantly increased. The criteria taken into account by the system are customers who have both sales and debt unpaid, and customers that have stopped trading with the group but have an outstanding balance. For the loans considered to be at high risk of non-recovery a lifetime expected loss is calculated.

Set out below is the movement in the allowance for expected credit losses of trade receivables and financial assets held at amortised cost:

	Trade receivables		**Financial assets**	
	1 January 2023 £m	2 January 2022 £m	**1 January 2023 £m**	2 January 2022 £m
As at beginning of period	**(7.5)**	(11.6)	**(8.1)**	(10.0)
Unused amounts reversed	**2.8**	4.1	**4.5**	1.7
Provision for expected credit losses recognised during the year	**(3.8)**	-	**-**	-
Provision utilised	**1.0**	-	**-**	0.2
As at end of period	**(7.5)**	(7.5)	**(3.6)**	(8.1)

Further information on the group's expected credit loss methodology can be found in note 2.

Fair values

Set out in the table below is a comparison of carrying amounts and fair values of certain of the group's financial instruments in accordance with the requirements of IFRS 7 and IFRS 13. The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced liquidation or sale. The following methods and assumptions were used to estimate the fair values:

- Financial assets - these are carried at amortised cost using the effective interest method and fair value is deemed to be the same as this.
- Interest-bearing loans and borrowings - based on quoted market prices in the case of the secured debt; approximates to the carrying amount (adjusted to exclude capitalised fees) in the case of bank loans and loans from related parties.
- Interest rate swaps - calculated by discounting all future cash flows by the market yield curve at the balance sheet date and adjusting for, where appropriate, the group's and counterparty credit risk. Changes in credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships.

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	Hierarchical classification	**Fair value** **1 January 2023** **£m**	**Carrying value** **1 January 2023** **£m**	Fair value 2 January 2022 £m	Carrying value 2 January 2022 £m
Financial liabilities					
Overdraft	Level 2	**-**	**-**	(0.5)	(0.5)
Interest-bearing loans and borrowings					
– Secured debt:					
Issued by Greene King Finance plc	Level 1	**(921.1)**	**(1,073.7)**	(1,378.6)	(1,314.6)
Issued by Spirit Issuer plc	Level 1	**-**	**-**	(108.8)	(99.5)
Bank loans	Level 2	**(820.0)**	**(817.8)**	(300.0)	(298.7)
Loans from related parties	Level 2	**(293.8)**	**(311.0)**	(1,376.0)	(1,376.0)
Interest rate swaps	Level 2	**(24.4)**	**(24.4)**	(112.8)	(112.8)
Financial assets					
Financial assets	Level 3	**13.5**	**13.5**	9.2	9.2
Investment properties	Level 3	**3.3**	**3.3**	-	-

Carrying values of the secured debt issued by Greene King Finance plc are stated net of deferred finance fees of £9.2m (prior period: £10.4m).

Carrying values of bank loans are stated net of deferred finance fees of £2.2m (prior period: £1.3m).

Hierarchical classification of financial assets and liabilities measured at fair value

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 - unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 - other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3 - techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

During the periods ending 1 January 2023 and 2 January 2022 there were no transfers between fair value levels 1, 2 or 3.

Capital risk management

The group aims to maintain strong credit ratings and a core level of debt which optimised the weighted average cost of capital (WACC).

A number of mechanisms are used to manage net debt and equity levels (together referred to as capital) as disclosed on the balance sheet, as appropriate in light of economic and trading conditions. To maintain or adjust the capital structure, the group may adjust distributions to its immediate parent or issue new share capital to its immediate parent.

The group monitors capital using several measures including fixed charge cover, the ratio of net debt to EBITDA and free cash flow debt service coverage. All financial covenants in relation the securitisation vehicles have been fully complied with.

24 PROVISIONS

	Property leases £m
At 3 January 2021	9.8
Provided for	1.6
Released	(1.6)
Utilised	(1.2)
At 2 January 2022	**8.6**
Provided for	**2.2**
Released	**(2.1)**
Utilised	**(0.6)**
At 1 January 2023	**8.1**

Provisions have been analysed between current and non-current as follows:

	1 January 2023 £m	2 January 2022 £m
Current	**4.2**	4.7
Non-current	**3.9**	3.9
	8.1	8.6

Property leases

The provision for property leases has been set up to cover dilapidation requirements and potential liabilities on assigned leases.

25 SHARE CAPITAL

	1 January 2023		2 January 2022	
	Number of issued shares m	**Share capital £m**	Number of issued shares m	Share capital £m
Ordinary shares of 12.5p each – called up, allotted and fully paid				
At beginning of period	**312.1**	**39.0**	312.1	39.0
At end of period	**312.1**	**39.0**	312.1	39.0

On 31 October 2022, Greene King Limited issued 915 shares to partially repay £915m of the facility with CKA Holdings UK Limited, this has resulted in £915m of share premium being recognised in the period. See further details in note 22.

26 RESERVES

Share premium account

Share premium represents the excess of proceeds received over the nominal value of new shares issued. Share premium of £915.0m has been generated during the period as a result of the share capital issuance, see note 25 for more details.

Merger reserve

The merger reserve represents capital contributions received and amounts recognised on the acquisition of Spirit Pub Company Limited being the difference between the value of the consideration and the nominal value of the shares issued as consideration.

Capital redemption reserve

The capital redemption reserve arose from the purchase and cancellation of own share capital and represents the nominal amount of the share capital cancelled.

Hedging reserve

Hedging reserve adjustments arise from the movement in fair value of the group's derivative instruments used as an effective hedge, in line with the accounting policy disclosed in note 2. Amounts recycled to income are included within finance costs in the income statement.

Goodwill

The cumulative amount of goodwill written off to retained earnings in respect of acquisitions made prior to May 1998 amounts to £89.7m.

27 WORKING CAPITAL AND OTHER OPERATING ACTIVITY MOVEMENTS

	1 January 2023	2 January 2022
	£m	£m
Increase in inventories	**(6.6)**	(17.4)
Increase in trade and other receivables	**(7.4)**	(9.0)
Increase in trade and other payables	**44.3**	122.4
Decrease in provisions	**(0.6)**	(1.2)
Other non-cash movement	**-**	(1.0)
Defined benefit pension contributions paid	**(4.1)**	(4.5)
Operating adjusting items	**1.8**	(9.2)
Working capital and other movements	**27.4**	80.1

28 ANALYSIS AND MOVEMENTS IN NET DEBT

	As at 2 January 2022	**Cash flow movements in the period[2]**	**Business acquisition**	**Changes in fair value[3]**	**Other non-cash changes**	**As at 1 January 2023**
	£m	£m		£m	£m	**£m**
Cash and cash equivalents						
Cash at bank and in hand[1]	95.0	**(17.1)**	**9.6**	**-**	**-**	**87.5**
Cash and cash equivalents for balance sheet	95.0	**(17.1)**	**9.6**	**-**	**-**	**87.5**
Overdrafts	(0.5)	**0.5**	**-**	**-**	**-**	**-**
Cash and cash equivalents for cash flow	94.5	**(16.6)**	**9.6**	**-**	**-**	**87.5**
Liabilities from financing activities						
Included in net debt:						
– Bank loans:						
- Revolving loans	(219.0)	**(496.5)**	**(22.0)**	**-**	**(0.5)**	**(738.0)**
- Term loans	(79.7)	**-**	**-**	**-**	**(0.1)**	**(79.8)**
– Other loans:						
- Revolving loans from related parties	(1,376.0)	**150.0**	**-**	**-**	**915.0**	**(311.0)**
- Securitised borrowing	(1,414.1)	**344.6**	**-**	**-**	**(4.2)**	**(1,073.7)**
	(3,088.8)	**(1.9)**	**(22.0)**	**-**	**910.2**	**(2,202.5)**
Not included in net debt:						
– Derivative financial instruments	(112.8)	**(8.6)**	**-**	**97.5**	**(0.5)**	**(24.4)**
- Lease liabilities[4]	(592.8)	**31.8**	**(15.3)**	**-**	**12.0**	**(564.3)**
Liabilities from financing activities	(3,794.4)	**21.3**	**(37.3)**	**97.5**	**921.7**	**(2,791.2)**
Net debt	(2,994.3)	**(18.5)**	**(12.4)**	**-**	**910.2**	**(2,115.0)**

1. Includes short-term deposits.
2. Excludes interest payments on borrowings, which are recognised within 'cash flows from operating activities' in the group cash flow statement.
3. Includes the impact on the fair value of derivatives of scheduled interest payments which are recognised within 'cash flows from operating activities' in the group cash flow statement.
4. Other non-cash changes on Lease Liabilities incorporates £29.8m additions, £(30.2)m remeasurements, £(3.1m) disposals, £(6.9)m transfer to Property, plant and equipment and £(1.6m) lease concessions.

	As at 3 January 2021	Cash flow movements in the period[2]	Changes in fair value[3]	Other non-cash changes	As at 2 January 2022
	£m	£m	£m	£m	**£m**
Cash and cash equivalents					
Cash at bank and in hand[1]	145.5	(50.5)	-	-	**95.0**
Cash and cash equivalents for balance sheet	145.5	(50.5)	-	-	**95.0**
Overdrafts	-	(0.5)	-	-	**(0.5)**
Cash and cash equivalents for cash flow	145.5	(51.0)	-	-	**94.5**
Liabilities from financing activities					
Included in net debt:					
– Bank loans:					
- Revolving loans	(203.6)	(15.0)	-	(0.4)	**(219.0)**
- Term loans	(79.7)	-	-	-	**(79.7)**
– Other loans:					
- Revolving loans from related parties	(980.0)	(396.0)	-	-	**(1,376.0)**
- Commercial paper	(299.8)	300.0		(0.2)	**-**
- Securitised borrowing	(1,460.3)	47.1		(0.9)	**(1,414.1)**
	(3,023.4)	(63.9)	-	(1.5)	**(3,088.8)**
Not included in net debt:					
– Derivative financial instruments	(161.2)	-	48.4	-	**(112.8)**
- Lease liabilities[4]	(732.0)	48.8	-	90.4	**(592.8)**
Liabilities from financing activities	(3,916.6)	**(15.1)**	**48.4**	**88.9**	**(3,794.4)**
Net debt	(2,877.9)	**(114.9)**	**-**	**(1.5)**	**(2,994.3)**

1. Includes short-term deposits.
2. Excludes interest payments on borrowings, which are recognised within 'cash flows from operating activities' in the group cash flow statement.
3. Includes the impact on the fair value of derivatives of scheduled interest payments which are recognised within 'cash flows from operating activities' in the group cash flow statement.
4. Other non-cash changes on Lease Liabilities incorporates £22.8m additions, £37.9m remeasurements, £(149.2m) disposals, and £(3.2m) lease concessions.

29 OPERATING LEASE ARRANGEMENTS

The group leases part of its licensed estate and other non-licensed properties to tenants. The majority of lease agreements have terms of between six months and 25 years and are classified for accounting purposes as operating leases. Most of the leases with terms of over three years include provision for rent reviews on either a three year or five-year basis.

Future minimum cash rentals receivable under non-cancellable operating leases are as follows:

	1 January 2023	2 January 2022
	£m	£m
Within one year	**38.7**	39.1
Between one and two years	**32.6**	34.5
Between two and three years	**27.6**	28.6
Between three and four years	**23.6**	23.0
Between four and five years	**16.6**	18.8
After five years	**107.2**	119.5
	246.3	263.5

30 RELATED PARTY TRANSACTIONS

Since the acquisition, the group has entered into transactions with companies connected to CK Asset Holdings Limited, its ultimate parent undertaking in the period. These have been disclosed below:

	Transaction values		Balances outstanding	
	1 January 2023	**2 January 2022**	**1 January 2023**	**2 January 2022**
	£m	£m	**£m**	£m
CKA Holdings UK Limited				
Revolving Loan Facility	**-**	-	**(311.0)**	(1,376.0)
Interest expense and accrued interest	**(29.3)**	(34.1)	**(2.1)**	(9.6)

The unsecured Revolving Credit Facility has a fixed interest rate of 2.7% and matures on 21 November 2024, with any amounts drawn down outstanding on maturity payable on 21 November 2024.

CK Noble (UK) Limited				
Amounts owed to Greene King Limited	**-**	-	**22.0**	21.9
Hutchinson Property Group Limited				
Amounts owed to Greene King Limited	**-**	-	**-**	3.5
Group relief	**-**	(3.5)	**-**	-
Social Healthcare Group Limited				
Amounts owed to Greene King Limited	**-**	-	**0.4**	0.4
Group relief	**-**	(0.4)	**-**	-
CK Steel (UK) Limited				
Amounts owed to Greene King Limited	**-**	-	**-**	2.5
Group relief	**-**	(2.5)	**-**	-
Hutchison 3G UK Limited				
Rental income of base stations	**0.1**	0.1	**-**	-
Provision of internet and telecommunication services	**(0.1)**	(0.1)	**-**	-
Guangzhou Watsons Food and Beverages Co. Ltd				
Sale of beer	**-**	0.1	**-**	-
Citrus Growers International Ltd				
Sale of beer	**-**	0.1	**-**	0.1
The Butcher's Tap & Grill Limited				
Sale of beer	**0.1**	0.1	**-**	-
Northumbrian Water Limited				
Supply of water	**(0.4)**	(0.3)	**-**	-
Total	**(0.3)**	(6.4)	**22.4**	28.4

Greene King Finance plc and Spirit Issuer plc are structured entities set up to raise bond finance for the group, and as such are deemed to be related parties. The results and financial position of the entities have been consolidated in the group's results.

Details of the remuneration for the key management personnel services are given in note 6.

31 POST BALANCE SHEET EVENTS

There were no post balance sheet events.

32 ULTIMATE PARENT COMPANY

At 1 January 2023 the directors consider the immediate parent undertaking and immediate controlling party of Greene King Limited to be CK Noble (UK) Limited, a company incorporated in the UK. Registered at 3 More London Riverside, London, United Kingdom.

The ultimate parent undertaking and ultimate controlling party is CK Asset Holdings Limited, a company registered in the Cayman Islands and registered in Hong Kong, with its shares listed on the Main Board of the Hong Kong Stock Exchange.

CK Asset Holdings Limited is the smallest and largest group which includes the results of the company and for which group financial statements are prepared. Copies of its group financial statements are available from 7th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong.

COMPANY BALANCE SHEET

AS AT 1 JANUARY 2023

Registered number: 00024511

	Note	**1 January 2023 £m**	2 January 2022 £m
Fixed assets			
Investments	36	**3,986.0**	3,905.0
Current assets			
Debtors	37	**743.8**	384.0
Cash and cash equivalents		**9.4**	-
Creditors: amounts falling due within one year	38	**(1,200.8)**	(2,587.7)
Net current liabilities		**(447.6)**	(2,203.7)
Total assets less current liabilities		**3,538.4**	1,701.3
Creditors: amounts falling due after more than one year	39	**(1,128.8)**	(298.7)
Net assets		**2,409.6**	1,402.6
Capital and reserves			
Called up share capital	41	**39.0**	39.0
Share premium account	42	**1,184.4**	269.4
Merger reserve	42	**752.0**	752.0
Revaluation reserve	42	**2.5**	2.5
Other reserve	42	**93.9**	93.9
Retained earnings[1]		**337.8**	245.8
Equity attributable to owners of the parent		**2,409.6**	1,402.6

1 The profit and loss account of the parent company is omitted from the company's accounts by virtue of the exemption granted by section 408 of the Companies Act 2006. The profit generated in the period for ordinary shareholders and included in the financial statements of the parent company, amounted to £92.0m (prior period: profit £127.7m).

Signed on behalf of the board on 25 April 2023

Richard Smothers

Director

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE 52 WEEKS ENDED 1 JANUARY 2023

	Called up share capital £m	Share premium account £m	Merger reserve £m	Revaluation reserve £m	Other reserve £m	Retained earnings £m	Total £m
At 3 January 2021	**39.0**	**269.4**	**752.0**	**2.5**	**93.9**	**118.1**	**1,274.9**
Profit for the period	-	-	-	-	-	127.7	127.7
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**127.7**	**127.7**
At 2 January 2022	**39.0**	**269.4**	**752.0**	**2.5**	**93.9**	**245.8**	**1,402.6**
Profit for the period	-	-	-	-	-	92.0	92.0
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**92.0**	**92.0**
Issue of share capital	-	915.0	-	-	-	-	915.0
At 1 January 2023	**39.0**	**1,184.4**	**752.0**	**2.5**	**93.9**	**337.8**	**2,409.6**

NOTES TO THE COMPANY ACCOUNTS

FOR THE 52 WEEKS ENDED 1 JANUARY 2023

33 ACCOUNTING POLICIES

Basis of accounting and presentation

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards.

The company meets the definition of a qualifying entity under FRS 100 Application of Financial Reporting Requirements as issued by the Financial Reporting Council (FRC). The financial statements have therefore been prepared in accordance with FRS 101 Reduced Disclosure Framework.

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IAS 7: Statement of Cash Flows;
- the requirements of IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors; to disclose IFRSs issued but not effective;
- the requirements of IFRS 2: Share-based payments (paragraphs 45(b) and 46 to 52);
- the requirements of IFRS 7: Financial Instruments: Disclosures;
- the requirements of IFRS 13: Fair Value Measurements;
- the requirements of IAS 24: Related Party Disclosures (to present key management personnel compensation and intragroup transactions including wholly owned subsidiaries); and
- the requirements of IAS 1: Presentation of Financial Statements, to present certain comparative information and capital management disclosures.

Where required, equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.

Greene King Limited is a private company limited by shares incorporated and domiciled in England and Wales. The address of its registered office is Westgate Brewery, Bury St. Edmunds, Suffolk, IP33 1QT.

The Company's principal activities are as a holding company and in the provision of financing, via intercompany loans to fellow group undertakings.

Investments

Investments in subsidiaries are recorded at cost less impairment and held as fixed assets on the balance sheet. The carrying value of investments is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. On transition to FRS 101, the previous GAAP carrying amount at the date of transition was regarded as deemed cost.

Taxation

Corporation tax payable is provided on taxable profits using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Financial instruments

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument and are derecognised when the company no longer controls the contractual rights that comprise the financial instrument, normally through sale or when all cash flows attributable to the instrument are passed to an independent third party.

Financial assets

The company classifies its amounts due from subsidiaries at amortised cost where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs and are subsequently carried at amortised cost using the effective interest rate method less provision for impairment.

The company recognises a loss allowance for expected credit losses on amounts due from subsidiaries. The methodology used to determine the amount of the expected credit loss is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset.

For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those where the credit risk has increased significantly or determined to be credit impaired, lifetime expected credit losses along with the gross interest income or net interest income, respectively, are recognised.

Borrowings

All loans and borrowings are initially recognised at fair value of the consideration received, net of issue costs. After initial recognition, interest-bearing loans and borrowings are measured at amortised cost using the effective interest method.

Significant accounting judgments and estimates

The preparation of financial statements requires management to make judgments, estimates and assumptions in the application of accounting policies that affect reported amounts of assets and liabilities, income and expense. The company bases its estimates and judgments on historical experience and other factors deemed reasonable under the circumstances, including any expectations of future events. Actual results may differ from these estimates. The company had no significant judgements in the period.

Significant accounting estimates

Impairment of loans to subsidiaries

The company recognised a loss allowance for expected credit losses on amounts owed by group undertakings. The methodology used to determine the amount of credit loss is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset.

A review was carried out on amounts owed by group undertakings for an indication of a significant increase in credit risk. The main criteria used was to compare the risk of default occurring over the expected life of the instrument at the reporting date with the risk of default at the date of initial recognition. This review concluded that given the Greene King Limited group liquidity remained strong a 12-month ECL remained applicable for all unsecured balances whilst secured balances have been provided on remaining length of the loan.

Impairment of investments in subsidiaries

Determining whether the company's investments in subsidiaries have been impaired requires estimations of the investments' value in use. The value in use calculations require the entity to estimate the future cash flows expected to arise from the investments and suitable discount rates in order to calculate present values. The carrying amount of investments in subsidiaries at the balance sheet date was £2,612.9m (prior period: £2,532.9m) with net impairment reversal in the year of £26.7m (prior period: £33.8m).

34 AUDITOR'S REMUNERATION

Auditor's remuneration for the audit of the financial statements was £37,000 (prior period: £36,000). The figures for auditor's remuneration for the company required by regulation 5(1)(b) of the Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008 are not presented here as the group accounts comply with this regulation on a consolidated basis.

35 DIRECTORS' REMUNERATION AND EMPLOYEE COSTS

The company has no employees other than directors and the directors are not remunerated through this company. Details of employee costs are given in note 6.

36 INVESTMENTS

	Investments in subsidiaries £m	Loans to subsidiaries £m	Total £m
Cost at 3 January 2021	**2,594.1**	**1,374.9**	**3,969.0**
Additions	7.0	0.4	7.4
Disposals	(34.4)	-	(34.4)
Cost at 2 January 2022	**2,566.7**	**1,375.3**	**3,942.0**
Additions	53.3	1.7	55.0
Cost at 1 January 2023	**2,620.0**	**1,377.0**	**3,997.0**
Impairment at 3 January 2021	(34.4)	(67.9)	(102.3)
Impairment of non-trading subsidiaries	(33.8)	-	(33.8)
Disposals	34.4	-	34.4
Expected credit losses	-	64.7	64.7
Impairment at 2 January 2022	**(33.8)**	**(3.2)**	**(37.0)**
Impairment reversal of non-trading subsidiaries	26.7	-	26.7
Expected credit losses	-	(0.7)	(0.7)
Impairment at 1 January 2023	**(7.1)**	**(3.9)**	**(11.0)**
NBV at 1 January 2023	**2,612.9**	**1,373.1**	**3,986.0**
NBV at 2 January 2022	2,532.9	1,372.1	3,905.0
NBV at 3 January 2021	2,559.7	1,307.0	3,866.7

The net impairment reversal of £26.7m is made up of an impairment charge of £5.5m and an impairment reversal of £32.2m.

Principal subsidiaries

For a full list of all subsidiaries see note 15.

Interest on amounts owed from subsidiaries accrued at a rate equal to SONIA plus a credit adjustment spread during the period. Interest accrues half yearly and amounts owed from subsidiaries are repayable on demand.

37 DEBTORS

	1 January 2023 £m	2 January 2022 £m
Corporation tax receivable	**-**	1.6
Amounts owed from subsidiaries	**721.8**	360.5
Amounts owed from parent undertaking	**21.9**	21.9
Interest receivable	**0.1**	-
	743.8	384.0

Interest on amounts owed from subsidiaries accrues at a rate of SONIA plus a credit adjustment spread. Interest accrues half yearly and amounts owed from subsidiaries are repayable on demand. Amounts owed from parent undertaking are non-interest bearing. Expected credit losses of £3.7m (prior period: £3.2m) have been recognised against the carrying value of amounts owed from subsidiaries. Information about the group's exposure to credit and market risks, and impairment losses for trade receivables is included in note 23.

38 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1 January 2023 £m	2 January 2022 £m
Accruals	**12.7**	9.5
Amounts owed to subsidiaries	**1,188.1**	1,200.3
Bank and other loans (note 40)	**-**	1,377.9
	1,200.8	2,587.7

Interest on amounts owed to subsidiaries accrues at a rate of SONIA plus a credit adjustment spread. Interest accrues half yearly and is repayable on demand.

39 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1 January 2023 £m	2 January 2022 £m
Bank and other loans (note 40)	**1,128.8**	298.7
	1,128.8	298.7

40 LOANS AND OTHER BORROWINGS

	1 January 2023			2 January 2022		
	Within one year £m	**After one year £m**	**Total £m**	Within one year £m	After one year £m	Total £m
Bank overdraft	-	-	-	1.9	-	1.9
Bank loans:						
– Revolving loans	-	**738.0**	**738.0**	-	218.7	218.7
– Term loans	-	**79.8**	**79.8**	-	80.0	80.0
Other loans						
– Revolving loans from related parties	-	**311.0**	**311.0**	1,376.0	-	1,376.0
	-	**1,128.8**	**1,128.8**	1,377.9	298.7	1,676.6

As explained in note 22, the company has available revolving credit facilities and a term facility totalling £2,400m of which, £1,131m was drawn down at the year end with a carrying value of £1,128.8m which included £2.2m of fees.

Bank loans due after one year are repayable as follows:

	1 January 2023 £m	2 January 2022 £m
Due between two and five years	**817.8**	298.7
	817.8	298.7

Although any individual draw-downs are repayable within 12 months of the balance sheet date, immediate renewal is available until the maturity of the facilities which fall between December 2024 and November 2025. The drawn amount under the term loan is repayable on maturity of the facility in February 2025.

Other loans are repayable as follows:

	1 January 2023 £m	2 January 2022 £m
Due within one year	**-**	1,376.0
Due between two and five years	**311.0**	-
	311.0	1,376.0

Drawn amounts are repayable on maturity of the facility in November 2024. The group has the ability to prepay any drawn amounts and any amounts prepaid may be reborrowed prior to the maturity of the facility.

41 ALLOTTED AND ISSUED SHARE CAPITAL

Allotted, called-up and fully paid	**1 January 2023 £m**	2 January 2022 £m
Ordinary shares of 12.5p each		
312.1m shares (prior period: 312.1m)	**39.0**	39.0

Further information on share capital is given in note 25.

42 RESERVES

Share premium account

Share premium represents the excess of proceeds received over the nominal value of new shares issued. Share premium of £915.0m has been generated during the period as a result of the share capital issuance, see note 25 for more details.

Merger reserve

The merger reserve represents capital contributions received and amounts recognised on the acquisition of Spirit Pub Company Limited being the difference between the value of the consideration and the nominal value of the shares issued as consideration.

Other reserve

The other reserve consists of £3.3m (prior period: £3.3m) capital redemption reserve arising from the purchase of own share capital and £90.6m (prior period: £90.6m) arising from transfer of revalued assets to other group companies and will only be realised when the related assets are disposed of by the group.

43 CONTINGENT LIABILITIES

The company has provided a guarantee to the Greene King Pension Scheme in respect of the payment obligations to the scheme of its subsidiary Greene King Services Limited. In the event that these obligations are not met the company will become liable for amounts due to the pension scheme; such an event is not considered probable.

Details of the group's pension schemes are included in note 8.

44 POST BALANCE SHEET EVENTS

There were no post balance sheet events.

45 ULTIMATE PARENT COMPANY

At 1 January 2023, the directors consider the immediate parent undertaking and immediate controlling party of Greene King Limited to be CK Noble (UK) Limited, a company incorporated in the UK.

The ultimate parent undertaking and ultimate controlling party is CK Asset Holdings Limited, a company registered in the Cayman Islands with its headquarters and principal place of business in Hong Kong. The company's shares are listed on the Main Board of the Hong Kong Stock Exchange.

CK Asset Holdings Limited is the smallest and largest group which includes the results of the company and for which group financial statements are prepared. Copies of its group financial statements are available from 7th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong.

ALTERNATIVE PERFORMANCE MEASURES (unaudited)

The performance of the group is assessed using a number of alternative performance measures (APMs).

The group's results are presented both before and after adjusting items. Adjusted profitability measures are presented excluding adjusting items as management believe this provides useful additional information about the group's performance and aids a more effective comparison of the group's trading performance from one period to the next and with similar businesses. Adjusted profitability measures are reconciled to unadjusted IFRS results on the face of the income statement with details of adjusting items provided in note 5.

In addition, the group's results are described using certain other measures that are not defined under IFRS and are therefore considered to be APMs. These measures are used by management to monitor ongoing business performance against both shorter-term budgets and forecasts but also against the group's longer-term strategic plans.

APMs used to explain and monitor group performance are found below, including a reconciliation to the nearest measure prepared in accordance with IFRS:

A FREE CASH FLOW

	Source	**2023 £m**	2022 £m
EBITDA	Cash flow statement	**321.1**	156.3
Working capital and other movements	Note 27	**27.4**	80.1
Add back: adjusting items	Note 27	**(1.8)**	9.2
		346.7	245.6
Tax payments	Cash flow statement	**(3.5)**	(0.2)
		(3.5)	(0.2)
Interest received	Cash flow statement	**0.5**	1.2
Interest paid[1]	Cash flow statement	**(114.3)**	(102.7)
Add back: adjusting interest	Cash flow statement	**-**	(1.2)
		(113.8)	(102.7)
Core capex	Note B below	**(164.1)**	(68.0)
Repayment of lease liabilities[1]	Note 21	**(52.4)**	(70.3)
Net repayment of trade loans	Cash flow statement	**0.2**	2.8
Free cash flow		**13.1**	7.2

[1] £20.6m (prior period: £21.5m) of interest and finance costs paid on lease liabilities have been re-presented to show the total amounts paid on leases in line with note 21 separately from the interest incurred.

B CAPITAL INVESTMENT

	Source	**2022 £m**	2021 £m
Core capex	Non-GAAP	**164.1**	68.0
Brand swap and new site investment	Non-GAAP	**8.5**	14.8
Purchase of property, plant and equipment	Cash flow statement	**172.6**	82.8