Stonegate Group

Stonegate Pub Company Limited

Condensed Consolidated Interim Financial Statements

For the 28 weeks ended 11 April 2021

Registered number FC029833

Contents

Consolidated Income Statement
For the 28 weeks ended 11 April 2021

		Unaudited 28 weeks ended 11 April 2021			Unaudited 28 weeks ended 12 April 2020			Audited 52 weeks ended 27 September 2020		
		Pre-exceptional items	**Exceptional items[1]**	**Total**	Pre-exceptional items	Exceptional items[1]	Total	Pre-exceptional items	Exceptional items[1]	Total
	Notes	**£m**	**£m**	**£m**	£m	£m	£m	£m	£m	£m
Revenue	2	**131**	**-**	**131**	452	-	452	707	-	707
Other income	3	**86**	**-**	**86**	9	-	9	69	-	69
Operating costs before depreciation and amortisation		**(234)**	**(2)**	**(236)**	(373)	(38)	(411)	(653)	(49)	(702)
EBITDA[2]		**(17)**	**(2)**	**(19)**	88	(38)	50	123	(49)	74
Depreciation and impairment		**(88)**	**(1)**	**(89)**	(70)	(24)	(94)	(153)	(367)	(520)
Revaluation of investment property		**-**	**-**	**-**	-	-	-	-	(8)	(8)
Brand amortisation		**-**	**-**	**-**	-	-	-	(1)	-	(1)
Total depreciation, amortisation, impairment and revaluation		**(88)**	**(1)**	**(89)**	(70)	(24)	(94)	(154)	(375)	(529)
Profit / (loss) on sale of non-current assets		**1**	**-**	**1**	-	-	-	(3)	-	(3)
Operating (loss) / profit		**(104)**	**(3)**	**(107)**	18	(62)	(44)	(34)	(424)	(458)
Finance costs	4	**(144)**	**-**	**(144)**	(58)	(11)	(69)	(170)	(115)	(285)
Movement in fair value of swaps		**(24)**	**-**	**(24)**	-	-	-	(3)	-	(3)
Loss before taxation		**(272)**	**(3)**	**(275)**	(40)	(73)	(113)	(207)	(539)	(746)
Taxation	6	**52**	**-**	**52**	(17)	(3)	(20)	64	28	92
Loss for the period		**(220)**	**(3)**	**(223)**	(57)	(76)	(133)	(143)	(511)	(654)
Attributable to:										
Owners of the parent company		**(219)**	**(3)**	**(222)**	(57)	(76)	(133)	(140)	(511)	(651)
Non-controlling interests		**(1)**	**-**	**(1)**	-	-	-	(3)	-	(3)

[1] Exceptional items are explained further in note 5.

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

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

The notes on pages 6 to 26 form part of these condensed consolidated interim financial statements.

Consolidated Statement of Comprehensive Income
For the 28 weeks ended 11 April 2021

	Notes	**Unaudited 28 weeks ended 11 April 2021 £m**	Unaudited 28 weeks ended 12 April 2020 £m	Audited 52 weeks ended 27 September 2020 £m
Loss for the period		**(223)**	(133)	(654)
Items that will not be reclassified to the income statement				
Re-measurement of defined benefit pension schemes		**-**	-	(1)
Tax credit relating to components of other comprehensive income		**-**	-	-
Other comprehensive losses after tax		**-**	-	(1)
Total comprehensive loss for the period		**(223)**	(133)	(655)

The notes on pages 6 to 26 form part of these condensed consolidated interim financial statements.

Consolidated Balance Sheet
At 11 April 2021

	Notes	**Unaudited 11 April 2021 £m**	Unaudited 12 April 2020 £m	Audited 27 September 2020 £m
Assets				
Non-current assets				
Property, plant and equipment	7	**4,047**	4,544	4,148
Investment property	8	**132**	131	124
Brand	10	**4**	5	4
Goodwill	10	**243**	244	243
Financial assets		**7**	8	7
Trade and other receivables	11	**3**	9	9
Retirement benefit surplus		**1**	1	1
		4,437	4,942	4,536
Current assets				
Inventories		**12**	19	17
Trade and other receivables	12	**89**	86	95
Cash and cash equivalents		**123**	319	294
Financial assets		**2**	1	2
		226	425	408
Non-current assets held for sale	9	**37**	44	44
Total assets		**4,700**	5,411	4,988
Liabilities				
Current liabilities				
Trade and other payables	13	**(259)**	(282)	(369)
Borrowings	14	**(151)**	(99)	(99)
		(410)	(381)	(468)
Non-current liabilities				
Borrowings	14	**(3,972)**	(3,873)	(3,948)
Derivative financial instruments	14	**(27)**	-	(3)
Deferred tax liabilities		**(68)**	(236)	(122)
Retirement benefit obligations		**(6)**	(8)	(7)
Provisions		**(3)**	(4)	(3)
		(4,076)	(4,121)	(4,083)
Total liabilities		**(4,486)**	(4,502)	(4,551)
Net assets		**214**	909	437
Equity				
Called up share capital		**5**	5	5
Share premium		**1,198**	1,148	1,198
Retained earnings		**(985)**	(244)	(763)
Total equity attributable to owners of the parent company		**218**	909	440
Non-controlling interests		**(4)**	-	(3)
Total equity		**214**	909	437

The notes on pages 6 to 26 form part of these condensed consolidated interim financial statements.

Consolidated Statement of Changes in Equity
For the 28 weeks ended 11 April 2021

	Share capital £m	Share premium £m	Retained earnings £m	Equity attributable to owners of the Parent Company £m	Non-controlling interests £m	Total equity £m
Total equity at 27 September 2020	**5**	**1,198**	**(763)**	**440**	(3)	**437**
Total comprehensive income / (losses):						
Losses for the period	-	-	(222)	(222)	(1)	(223)
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive losses for the period	-	-	(222)	(222)	(1)	(223)
Total equity at 11 April 2021	**5**	**1,198**	**(985)**	**218**	**(4)**	**214**
Total equity at 29 September 2019	**2**	**97**	**(111)**	**(12)**	-	**(12)**
Adjustment on initial application of IFRS 16 (net of tax)	**-**	**-**	**-**	-	-	**-**
Adjusted balance at 30 September 2019	**2**	**97**	**(111)**	**(12)**	**-**	**(12)**
Total comprehensive income / (losses):						
Losses for the period	-	-	(133)	(133)	-	(133)
Other comprehensive losses for the period	-	-	-	-	-	-
Total comprehensive profit for the period	**-**	**-**	**(133)**	**(133)**	**-**	**(133)**
Shares issued	3	1,051	-	1,054	-	1,054
Total equity at 12 April 2020	**5**	**1,148**	**(244)**	**909**	**-**	**909**
Total equity at 29 September 2019	**2**	**97**	**(111)**	**(12)**	**-**	**(12)**
Adjustment on initial application of IFRS 16 (net of tax)	-	-	-	-	-	-
Adjusted balance at 30 September 2019	**2**	**97**	**(111)**	**(12)**	**-**	**(12)**
Total comprehensive income / (losses):						
Losses for the period	-	-	(651)	(651)	(3)	(654)
Other comprehensive losses for the period	-	-	(1)	(1)	-	(1)
Total comprehensive losses for the period	-	-	(652)	(652)	(3)	(655)
Shares issued	3	1,101	-	1,104	-	1,104
Total equity at 27 September 2020	5	**1,198**	**(763)**	**440**	**(3)**	**437**

The notes on pages 6 to 26 form part of these condensed consolidated interim financial statements.

Consolidated Cash Flow Statement
For the 28 weeks ended 11 April 2021

	Notes	**Unaudited 28 weeks ended 11 April 2021 £m**	Unaudited 28 weeks ended 12 April 2020 £m	Audited 52 weeks ended 27 September 2020 £m
Cash flows from operating activities				
Loss for the period		**(223)**	(133)	(654)
Adjustments for:				
-Depreciation, amortisation and impairment		**89**	94	529
-(Profit) / loss on sale of non-current assets		**(1)**	-	3
-Net finance costs and movement in swap		**168**	69	288
-UK income tax credit		**(52)**	20	(92)
		(19)	50	74
Changes in:				
-Inventories		**5**	(1)	1
-Receivables		**15**	(10)	(20)
-Payables		**(105)**	(2)	38
-Provisions		**-**	-	-
-Difference between pension contributions paid and amounts recognised in operating profit		**-**	-	(2)
Cash generated from operating activities		**(104)**	37	91
Income tax (paid) / received		**-**	(5)	4
Net cash flow from operating activities		**(104)**	32	95
Cash flows from investing activities				
Purchase of property, plant and equipment		**(15)**	(53)	(81)
Net proceeds from sale of property, plant and equipment		**26**	7	12
Payments for business acquisitions		**-**	(1,265)	(1,265)
Net cash acquired on business acquisitions		**-**	161	161
Net cash flow from investing activities		**11**	(1,150)	(1,173)
Cash flows from financing activities				
Interest paid		**(171)**	(79)	(143)
Advance of borrowings	14	**250**	2,475	2,475
Repayment of borrowings	14	**(144)**	(1,957)	(1,962)
Proceeds from share issue		**-**	1,054	1,104
Transaction costs related to loans and borrowings		**(13)**	(89)	(110)
Payment of principal portion lease liabilities		**-**	-	-
Net cash flow from financing activities		**(78)**	1,404	1,364
Net (decrease) / increase in cash and cash equivalents		**(171)**	286	286
Opening cash and cash equivalents		**294**	8	8
Closing cash and cash equivalents		**123**	294	294

The notes on pages 6 to 26 form part of these condensed consolidated interim financial statements.

Notes to the condensed consolidated interim financial statements

1 Accounting policies and basis of preparation

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

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

The results for the current and comparative period are unaudited. The financial information for the year ended 27 September 2020 is extracted from the accounts for that year which are subject to a non-statutory audit for the purpose of filing accounts of the UK branch of this overseas Group and formally setting out the financial performance and position of the Group.

The condensed consolidated interim financial statements have been prepared on a consistent basis using the accounting policies set out in the Annual Report and Accounts for the year ended 27 September 2020. There have been no new standards that have been adopted during the period.

The financial information included in these condensed consolidated interim financial statements for the 28 weeks ended 12 April 2020 has been updated from the amounts originally presented in the condensed consolidated interim financial statements for that period. The revisions have been made in respect of the fair values for the Ei Group acquisition that occurred in that period. In the originally condensed consolidated interim financial statements for that period, provisional fair values for that acquisition were used. These fair values were updated and finalised when the annual financial statements for the 52 week period ended 27 September 2020 were prepared. These updated fair values are now reflected in the amounts now presented for 28 weeks ended 12 April 2020 period. The changes made have increased Total assets as at 12 April 2020 by £8m (from £5,403m to £5,411m) which includes an increase of £9m in goodwill, increased Total liabilities by £10m (from £4,492m to £4,502m) and hence Net assets have reduced by £2m (from £911m to £909m). There are no changes to the results for the 28 weeks ended 12 April 2020 as a result of these changes

1.1 Going concern

The Board have reviewed the cash flow forecasts for the Group for the period to July 2022, at which point the Group’s additional £50 million liquidity granted under the RCF falls away, and have concluded that the Group will have sufficient funds to meet its liabilities as they fall due such that it remains appropriate to prepare the condensed consolidated interim financial statements under the going concern basis.

The financial position of the Group is set out in the Consolidated Balance Sheet on page 3 which shows net assets of £214 million (12 April 2020: £909 million net assets; 27 September 2020: £437 million net assets). During the period ended 12 April 2021 the Group has experienced a net cash outflow of £171 million (28 weeks ended 12 April 2020: net cash inflow of £286 million; 52 weeks ended 27 September 2020: net cash inflow of £286 million) which was a result of the impact of the Covid-19 pandemic, and also included in the period ended 12 April 2021 £120 million drawn in the form of additional senior secured notes.

The Group has continued to meet its day-to-day working capital requirements through its standard trading cycle of cash generation when sites are open, charging and collecting rents from publicans and its £250 million combined overdraft and revolving credit facility. The Directors consider that this is a normal feature of trading in this industry. In the managed business, customers pay by cash or card at the point of sale, resulting in minimal credit risk, whilst in the leased and tenanted business, the Group has a dedicated credit control function, which is able to manage its credit risk exposure. The Group typically operates with net current liabilities (current period: £184 million; 12 April 2020: £44 million net current assets; 27 September 2020: £60 million net current liabilities). At the period end the Group had drawn down £175 million of its revolving credit facility (12 April 2020: £175 million; 27 September 2020: £175 million).

At the balance sheet date, the Group was financed by external debt (excluding lease liabilities) totalling £3,081 million (12 April 2020: £2,978 million; 27 September 2020: £2,975 million), details of which are set out in note 13.

Notes *(continued)*

1.2 Going concern *(continued)*

During the period on 1 December 2020 the Group issued further senior secured notes totalling £120 million, the terms of which are consistent with the £950 million existing senior secured notes.

The Covid-19 pandemic has had a significant impact on the liquidity of the Group since the initial closure of the estate on 20 March 2020 and will continue to do so during the going concern period of at least 12 months from the date of approval of these condensed consolidated interim financial statements ("the going concern period"). The Group has implemented appropriate measures to reduce the impact on the business, including cost reduction, accessing benefits from Government support schemes including the Coronavirus Job Retention Scheme, business rates relief and HMRC deferment of indirect tax, as well as the postponement of refurbishments and other capital expenditure projects.

The base case forecasts are for a period until July 2022 and are based on a steady growth in trade post the 17 May 2021 reopening with restrictions and then assumes normalised trading levels (being similar to the trade in the year ended 30 September 2019) returning from August 2021 and continuing throughout the rest of the going concern period.

The directors believe that the phasing in the base case model represents an appropriate approach as the vaccination programme is rolled out, restrictions are expected to be relaxed and people's confidence to visit a venue grows. The forecasting is also supported by the positive trends seen in trade post reopening. The forecasts include controllable actions such as a delay in all non-committed capital expenditure and leasehold rent payments (as allowed under the rent moratorium), a reduction in variable costs, and taking advantage of the 3-month extension to the business rates holiday announced in the 2021 Budget.

As well as the base case forecasts indicating that there is sufficient liquidity in the Group, the forecasts also indicate that there are no breaches to covenants within either the Group's revolving credit facility nor the Unique securitisation within the going concern period. However, if sales levels were not to rise in line with base case forecasts, there is a risk that these could be breached.

The Board has also considered a severe downside scenario where there is a further two-month lockdown in the winter of 2021/22. Should this be the case, the Group would not be able to maintain its £50 million liquidity headroom as required by the RCF at the end of January 2022 test date. The consequence of this is that the Group would be required to 'cure' this liquidity breach within two weeks through mitigating actions which could include the sale of assets, the raising of new debt or equity and/or amending the timing of payments due to third parties.

Furthermore, if EBITDA was more than 35% below the directors' forecasts, there is a risk the RCF covenant could be breached between the 17 January 2022 and 10 April 2022. Whilst the Group does not intend to negotiate any further waivers with the RCF lenders, they have been supportive already and the directors are confident they would be supportive again, if required.

Based on the above, the directors believe that it remains appropriate to prepare the condensed consolidated interim financial statements on a going concern basis. However, the future uncertain effect on trading arising as a result of the Covid-19 pandemic and in particular the substantial achievement of base case forecasts and, in downside scenarios, the continued availability of existing facilities and the availability of such additional funding as may be needed, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. These condensed consolidated interim financial statements do not contain the adjustments that would result if the Group were unable to continue as a going concern.

Notes *(continued)*

1.3 Key accounting judgements

The following are the key judgements that management have made in the period in applying the Group's accounting policies as disclosed in the financial statements of the Group for the period ended 27 September 2020.

Impairment of Property, plant, equipment and goodwill

Whilst the Covid-19 pandemic continues to ensue the Group's entire estate was closed as at 11 April 2021 under the third national lockdown that began on 20 December 2020. Due to the extended period of closure since the prior reporting date of 27 September 2020 this has been considered by management to be a potential indicator of impairment of the Group's estate. As such, the impairment approach has been considered and the impairment taken at 27 September 2020 incorporated a specific period of closure and a gradual build back up of trade that was not any less prudent than the experienced effects of the continued pandemic. Furthermore, whist the estate was closed at 11 April 2021 it reopened for outside trading the next day and the roadmap to recovery was positive following the success of the vaccination programme. Therefore, Management have concluded that no further impairments are required at the current reporting date.

Valuation of Investment Properties

Properties held as investment property are measured at fair value reflecting market conditions at the balance sheet date. Gains and losses arising from changes in the fair value of investment property are recognised in the income statement in the period in which they arise. Fair values are determined based on an annual revaluation by external valuers. Management have judged that the valuation reached at 27 September 2020 still represents the best estimate of the fair value of such properties at 11 April 2021.

Covid-19 financial support

Management have exercised judgement when determining that financial support granted to the Group's publicans during the period constituted variable payments under its leases. This judgement is driven by the Group's commitment to support its publicans during periods of detrimental changes to their business outside their control being part of their agreement with us for the lease of the pub. Management have determined that the Covid-19 pandemic is such a detrimental change and that the financial support concessions granted to them fall under the original terms of the lease rather than a modification to the lease. The effect of this judgement being that £40 million of financial support has been recognised in the current financial period being the period in which the trigger event for the variable payments arose. Had the directors instead concluded that the concessions represented a modification of the existing leases, an amount of up to £40 million would have been spread straight line over the remaining lease terms, reducing rental income in future periods.

Going concern

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

Notes *(continued)*

2 Segmental reporting

During the prior year on 3 March 2020, Stonegate Pub Company Bidco Limited acquired the entire share capital of Ei Group Limited. As a result of this the directors reassessed their operating segments based on the discrete management information regularly reviewed by the Chief Operating Decision Maker (CODM).

The Group has five distinguishable revenue generating operating segments being Publican Partnerships, Commercial Properties, Craft Union Pub Company, Stonegate and Joint Ventures which reflect the different nature of income earned, types of property and profile of customers.

Operating segments are aggregated into reportable segments when they have similar economic characteristics and therefore Craft Union Pub Company, Stonegate and Joint Ventures have been combined as they represent income earned from the direct operation of pubs, albeit through different trading styles.

This results in three reportable segments being:

1) Publican Partnerships - Rental income and revenue from supply of drinks and gaming machines

2) Commercial Properties - Rental income

3) Managed - Revenue from the sale of food, drink, admission, accommodation and gaming machine income

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

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

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

2021	**Publican Partnerships**	**Commercial Properties**	**Managed**	**Central**	**Total**
28 weeks	**£m**	**£m**	**£m**	**£m**	**£m**
Drink revenue	30	-	51	-	81
Rent revenue	20	5	-	-	25
Food revenue	-	-	15	-	15
Revenue from amusement and other machines	1	-	2	-	3
Admission, accommodation and other revenue	6	-	1	-	7
Total revenue	**57**	**5**	**69**	**-**	**131**
Other income	-	-	75	11	86
Operating costs before depreciation and amortisation	-	-	(167)	(47)	(214)
EBITDA	**57**	**5**	**(23)**	**(36)**	**3**
Depreciation and amortisation					(89)
Profit on sale of non-current assets					1
Finance costs and movement in fair value of swaps					(168)
Loss before tax					**(253)**
Taxation					52
Loss after tax					**(201)**

Notes *(continued)*

2 Segmental reporting *(continued)*

2020 **28 weeks**	**Publican Partnerships £m**	**Commercial Properties £m**	**Managed £m**	**Central £m**	**Total £m**
Drink revenue	16	-	338	-	354
Rent revenue	12	1	-	-	13
Food revenue	-	-	62	-	62
Revenue from amusement and other machines	-	-	12	-	12
Admission, accommodation and other revenue	-	-	11	-	11
Total revenue	**28**	**1**	**423**	**-**	**452**
Other income	-	-	9	-	9
Operating costs before depreciation and amortisation	(9)	-	(332)	(70)	(411)
EBITDA	**19**	**1**	**100**	**(70)**	**50**
Depreciation and amortisation					(94)
Loss on sale of non-current assets					-
Finance costs and movement in fair value of swaps					(69)
Loss before tax					**(113)**
Taxation					(20)
Loss after tax					**(133)**

2020 **52 weeks**	**Publican Partnerships £m**	**Commercial Properties £m**	**Managed £m**	**Central £m**	**Total £m**
Drink revenue	88	-	466	-	554
Rent revenue	29	6	-	-	35
Food revenue	-	-	88	-	88
Revenue from amusement and other machines	1	-	16	-	17
Admission, accommodation and other revenue	-	-	13	-	13
Total revenue	**118**	**6**	**583**	**-**	**707**
Other income	-	-	61	8	69
Operating costs before depreciation and amortisation	(53)	-	(531)	(118)	(702)
EBITDA	**65**	**6**	**113**	**(110)**	**74**
Depreciation and amortisation					(529)
Loss on sale of non-current assets					(3)
Finance costs and movement in fair value of swaps					(288)
Loss before tax					**(746)**
Taxation					92
Loss after tax					**(654)**

Notes *(continued)*

3 Other income

	28 weeks ended 11 April 2021	28 weeks ended 12 April 2020	52 weeks ended 27 September 2020
	£m	£m	£m
Government grants	**86**	9	69
Total government grants	**86**	9	69

During the period £75 million was recognised within other income in relation to the Coronavirus Job Retention Scheme (28 weeks ended 12 April 2020: £9 million) and £11 million from government grants (28 weeks ended 12 April 2020: £Nil). In the 52 weeks ended 27 September 2020 £62 million was recognised in relation to the Coronavirus Job Retention Scheme; £4 million in relation to the Government's Eat Out To Help Out scheme and £3 million was recognised in relation to government grants.

4 Finance costs

	28 weeks ended 11 April 2021	28 weeks ended 12 April 2020	52 weeks ended 27 September 2020
	£m	£m	£m
Interest payable on loan notes	**113**	19	86
Bank interest	**-**	20	38
Other interest payable	**5**	-	6
Debt issue costs amortisation	**-**	7	6
Refinancing costs	**-**	6	110
Discounting of lease liabilites	**26**	17	39
Total finance costs	**144**	69	285

Notes *(continued)*

5 Exceptional items

	28 weeks ended 11 April 2021 £m	28 weeks ended 12 April 2020 £m	52 weeks ended 27 September 2020 £m
Operating exceptional items			
Acquisition costs	**-**	35	36
Integration costs	**2**	3	12
Surrender premiums	**-**	-	1
Impairment of property, plant and equipment (note 7)	**1**	24	357
Impairment of non-current assets held for sale (note 9)	**-**	-	10
Revaluation of investment properties (note 8)	**-**	-	8
	3	62	424
Finance costs	**-**	11	115
UK income tax credit relating to exceptional items	**-**	3	(28)
Total exceptional items	**3**	76	511

Acquisition costs: Acquisition costs are items of one-off expenditure incurred. In the 28 weeks ended 12 April 2020 and the 52 weeks ended 27 September 2020 these were in connection with the acquisition of Ei Group Limited. These included legal and professional fees of £30 million and stamp duties of £6 million which were expensed as incurred, with a total of £35 million charged in the 28 weeks ended 12 April 2020 which increased to £36 million for the 52 weeks ended 27 September 2020.

Integration costs: As a result of the acquisition of Ei Group Limited the Group has incurred integration costs of £2 million in the period (28 weeks ended 12 April 2020: £3 million). In the 52 weeks ended 27 September 2020 the Group incurred total Ei Group Limited integration costs of £10 million. This included the restructure of its support function with associated legal and professional fees of £4 million; the closure of the legacy Stonegate head office and a reduction of roles across all support functions at a cost of £5 million. Pre-conversion costs of £1 million were also incurred whereby Ei Group Limited members of staff were placed within Stonegate Pub Company Limited sites to gain an understanding of Stonegate Pub Company Limited's ways of working. The Group also incurred £2 million of integration costs following acquisitions made in prior periods.

Surrender premiums: During the period ended 27 September 2020 £1 million of assignment premiums were paid to publicans in order to take the assignment of a lease or to break a lease at any point other than at renewal. Following the acquisition of Ei Group Limited, the Group are looking to review the entire portfolio of assets and move pubs across segments into their perceived optimum operating format. This one-off process is likely to take five years, during which time any assignment premiums paid will be shown as exceptional.

Impairment and Revaluation: Also included in exceptional items are impairments of property, plant and equipment; non-current assets held for sale and the revaluation of investment properties. These costs are considered as exceptional in nature. On 20 March 2020, all pubs and restaurants were mandatorily closed under government instruction due to the Covid-19 pandemic. This closure was considered to be a significant indicator of impairment of property, plant and equipment. As a result a full impairment review of all of the Group's property, plant and equipment was performed by comparing recoverable amount to its carrying values. Impairments totalling £367 million were identified for the 52 weeks ended 27 September 2020 and £24 million for the 28 weeks ended 12 April 2020. £1 million of impairment was charged in the 28 weeks ended 11 April 2021 as a result of pubs moving between property, plant and equipment to non-current assets held for sale and being required to be revalued at that point to their fair value less costs to dispose if this is lower than their carrying value, in accordance with IFRS 5.

Finance costs: During the period ended 27 September 2020 the Group carried out a number of financing events which resulted in a net finance cost of £103 million. Also included in finance costs was the repayment of the previously held loan notes including £6 million early redemption charge, £1 million of other fees and the write off of £5 million debt issue costs. £11 million of these costs were included in the 28 weeks ended 12 April 2020.

Notes *(continued)*

6 Taxation

	28 weeks ended 11 April 2021 £m	28 weeks ended 12 April 2020 £m	52 weeks ended 27 September 2020 £m
Tax charged in the income statement			
Current tax:			
- UK corporation tax	**-**	(3)	-
- Adjustments in respect of previous periods	**-**	-	(1)
Total current tax credit	**-**	(3)	(1)
Deferred tax:			
- Origination and reversal of temporary differences	**(52)**	2	(106)
- Adjustments in respect of previous periods	**-**	-	(4)
- Rate change	**-**	21	19
Total deferred tax credit	**(52)**	23	(91)
Total current and deferred tax (credited) / charged in the income statement	**(52)**	20	(92)

In the 3 March 2021 Budget it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the Group's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the deferred tax liability would have increased by £21m.

Notes *(continued)*

7 Property, plant and equipment

	Right-of-use assets	Land and buildings	Leasehold improvements	Landlords' fixtures and fittings	Furniture, fixtures and equipment	Non-licensed properties and other assets	Total
	£m	£m	£m	£m	£m	£m	£m
Cost							
At 29 September 2019	-	336	143	-	277	-	756
Adoption of IFRS 16	692	-	-	-	-	-	692
Acquisitions through business combinations	311	2,759	33	192	39	28	3,362
Additions	-	19	12	6	39	1	77
Modifications	11	-	-	-	-	-	11
Disposals	(4)	(1)	(1)	-	(7)	-	(13)
Reclassification	-	-	-	-	(33)	33	-
Transfer to non-current assets held for sale (note 9)	(6)	(14)	(2)	(1)	(4)	-	(27)
Transfer to investment properties (note 8)	-	(5)	-	-	-	-	(5)
Fully depreciated assets	(1)	-	(5)	-	(23)	-	(29)
At 27 September 2020	1,003	3,094	180	197	288	62	4,824
Additions	-	5	1	1	4	2	13
Modifications	1	-	-	-	-	-	1
Disposals	(2)	-	(1)	-	(3)	-	(6)
Transfer to non-current assets held for sale (note 9)	-	(16)	-	(2)	-	-	(18)
Transfer to investment properties (note 8)	-	(11)	-	-	-	-	(11)
At 11 April 2021	**1,002**	**3,072**	**180**	**196**	**289**	**64**	**4,803**
Depreciation							
At 29 September 2019	-	(14)	(53)	-	(139)	-	(206)
Charge for the year	(66)	(8)	(12)	(12)	(53)	(2)	(153)
Impairment	(27)	(320)	(1)	(2)	(7)	-	(357)
Disposals	-	-	-	-	6	-	6
Reclassification	-	-	-	-	17	(17)	-
Transfer to non-current assets held for sale (note 9)	1	-	2	-	2	-	5
Fully depreciated assets	1	-	5	-	23	-	29
At 27 September 2020	(91)	(342)	(59)	(14)	(151)	(19)	(676)
Charge for the period	(35)	(7)	(6)	(10)	(27)	(3)	(88)
Impairment	-	(1)	-	-	-	-	(1)
Disposals	1	-	1	-	2	-	4
Transfer to investment properties (note 8)	-	1	-	-	-	-	1
Transfer to non-current assets held for sale (note 9)	-	3	-	1	-	-	4
Reclassification of impairment charge	-	7	(7)	-	-	-	-
At 11 April 2021	**(125)**	**(339)**	**(71)**	**(23)**	**(176)**	**(22)**	**(756)**
Net book value							
At 11 April 2021	**877**	**2,733**	**109**	**173**	**113**	**42**	**4,047**
At 27 September 2020	912	2,752	121	183	137	43	4,148
At 29 September 2019	-	322	90	-	138	-	550

Included within non-licensed properties and other assets are the head office building, fixtures and fittings and non-licenced properties that were all part of the acquisition of Ei Group Limited on 3 March 2020. Central IT and other assets with a cost of £33 million and accumulated depreciation of £17 million were reclassified to non-licensed properties and other assets during the prior period.

Impairment of £7 million charged in the 52 weeks ended 27 September 2020 has been reclassified from land and buildings to leasehold improvements during the period.

Notes *(continued)*

7 Property, plant and equipment *(continued)*

	Right-of-use assets	Land and buildings	Leasehold improvements	Landlords' fixtures and fittings	Furniture, fixtures and equipment	Non-licensed properties and other assets	Total
	£m	£m	£m	£m	£m	£m	£m
Cost							
At 29 September 2019	-	336	143	-	277	-	756
Adoption of IFRS 16	692	-	-	-	-	-	692
Acquisitions through business combinations	311	2,759	33	192	39	28	3,362
Additions	1	6	13	1	32	-	53
Disposals	(2)	(1)	-	-	(1)	(1)	(5)
Transfer to non-current assets held for sale (note 9)	(5)	(5)	-	-	(2)	-	(12)
Transfer to investment properties (note 8)	-	(4)	-	-	-	-	(4)
At 12 April 2020	**997**	**3,091**	**189**	**193**	**345**	**27**	**4,842**
Depreciation							
At 29 September 2019	-	(14)	(53)	-	(139)	-	(206)
Charge for the period	(31)	(3)	(6)	(2)	(28)	-	(70)
Impairment	(14)	(8)	-	-	(2)	-	(24)
Transfer to non-current assets held for sale (note 9)	-	1	-	-	1	-	2
At 12 April 2020	**(45)**	**(24)**	**(59)**	**(2)**	**(168)**	**-**	**(298)**
Net book value							
At 12 April 2020	**952**	**3,067**	**130**	**191**	**177**	**27**	**4,544**
At 29 September 2019	-	322	90	-	138	-	550

8 Investment property

	Right-of-use assets	Land and buildings	Total
	£m	£m	£m
Fair value			
At 29 September 2019	-	-	-
Acquisitions through business combinations	21	106	127
Transfer from property, plant and equipment (note 7)	-	5	5
Revaluation	(1)	(7)	(8)
At 27 September 2020	20	104	124
Transfer from property, plant and equipment (note 7)	-	10	10
Transfer to non-current assets held for sale (note 9)	-	(2)	(2)
At 11 April 2021	**20**	**112**	**132**
At 29 September 2019	-	-	-
Acquisitions through business combinations	21	106	127
Transfer from property, plant and equipment (note 7)	-	4	4
At 12 April 2020	**21**	**110**	**131**

Notes *(continued)*

9 Non-current assets held for sale

	Lease liabilities £m	Right-of-use assets £m	Land and buildings £m	Landlords' fixtures and fittings £m	Furniture, fixtures and equipment £m	Total £m
At 29 September 2019	-	-	-	-	-	-
Acquisitions through business combinations	-	3	45	-	-	48
Transfer from property, plant and equipment (note 7)	-	5	14	1	2	22
Transfer from lease liabilities	(5)	-	-	-	-	(5)
Disposals	-	-	(11)	-	-	(11)
Impairment	-	(1)	(9)	-	-	(10)
At 27 September 2020	(5)	7	39	1	2	44
Transfer from property, plant and equipment (note 7)	-	-	13	1	-	14
Transfer from investment properties (note 8)	-	-	2	-	-	2
Disposals	-	-	(23)	-	-	(23)
At 11 April 2021	(5)	7	31	2	2	37
At 29 September 2019	-	-	-	-	-	-
Acquisitions through business combinations	-	3	45	-	-	48
Transfer from property, plant and equipment (note 7)	-	5	4	-	1	10
Transfer from lease liabilities	(8)	-	-	-	-	(8)
Disposals	-	-	(6)	-	-	(6)
At 12 April 2020	**(8)**	**8**	**43**	**-**	**1**	**44**

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

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

Included in non-current assets held for sale are 80 sites (12 April 2020: 95; 27 September 2020: 105 sites) in total with 42 sites identified by the CMA as sites which are to be disposed following the acquisition of Ei Group Limited by the Group.

Notes *(continued)*

10 Goodwill, operating leases and brand intangible assets

	Brand £m	Operating leases £m	Goodwill £m
Cost			
At 29 September 2019	6	192	146
Adoption of IFRS 16	-	(192)	-
Acquisitions through business combinations	-	-	102
Disposals	-	-	(1)
At 27 September 2020	6	-	247
Disposals	-	-	-
At 11 April 2021	**6**	**-**	**247**
Amortisation			
At 29 September 2019	(1)	(42)	(4)
Adoption of IFRS 16	-	42	-
Charge for the year	(1)	-	-
At 27 September 2020	(2)	-	(4)
Charge for the period	-	-	-
At 11 April 2021	**(2)**	**-**	**(4)**
Net book value			
At 11 April 2021	**4**	**-**	**243**
At 27 September 2020	4	-	243
At 29 September 2019	5	150	142

	Brand £m	Operating leases £m	Goodwill £m
Cost			
At 29 September 2019	6	192	146
Adoption of IFRS 16	-	(192)	-
Acquisitions through business combinations	-	-	102
Disposals	-	-	-
At 12 April 2020	**6**	**-**	**248**
Amortisation			
At 29 September 2019	(1)	(42)	(4)
Adoption of IFRS 16	-	42	-
Charge for the period	-	-	-
Disposals	-	-	-
At 12 April 2020	**(1)**	**-**	**(4)**
Net book value			
At 12 April 2020	**5**	**-**	**244**
At 29 September 2019	5	150	142

During the 52 weeks ended 27 September 2020 goodwill of £102 million was recognised in the period relating to the acquisition of Ei Group Limited. Goodwill has been reduced in the period by £Nil (28 weeks 2020: £Nil, 52 weeks 2020: £1 million), representing the apportioned value of goodwill allocated to those sites disposed of during the period. As part of the transition to IFRS 16, in the prior period, right-of-use assets with a net book value of £150 million were reclassified to property, plant and equipment (see note 7).

Notes *(continued)*

11 Acquisitions

Acquisitions in the prior period

Ei Group Limited

On 3 March 2020, Stonegate Pub Company Bidco Limited acquired the entire share capital of Ei Group Limited. Total consideration was £1,265 million satisfied in cash. The acquisition was funded by external debt and the issue of shares.

A summary of the fair values of the assets and liabilities are given in the table below:

	fair value £m
Property, plant and equipment (note 7)	3,360
Investment properties (note 8)	127
Inventory	5
Cash	161
Trade and other receivables	54
Non-current assets held for sale (note 9)	48
Trade and other payables	(176)
Borrowings	(2,230)
Corporation tax	6
Deferred tax	(192)
Net assets acquired	1,163
Purchase price satisfied by:	
Cash consideration	1,265
Goodwill (note 10)	**102**

Goodwill is considered to represent the benefits and synergies that will be gained from combining these sites with the Group's existing portfolio of brands and sites.

The Group incurred acquisition-related costs of £36 million related to stamp duty and external legal professional fees. These costs have been included in 'exceptional operating costs' in the consolidated income statement (see note 5).

Property, plant and equipment: Included in property, plant and equipment are freehold and leasehold properties of £2,984 million whose fair value was derived at by an external valuation carried out by GVA Grimley Limited (t/a Avison Young) and Colliers International Property Advisers UK LLP, independent Chartered Surveyors. Property assets held in property, plant and equipment were valued using fair maintainable trade income (FMT) capitalised at an appropriate rate of return (as defined within RICS Valuation - 2017 Global Edition) or an equivalent multiple. This method of valuation involves making an assessment of the fair maintainable rent, wholesale and machine income that can be generated from the property assuming they are run by a reasonably efficient operator, taking into account future trading potential. This assessment of profit is then capitalised at an appropriate multiple to reflect the risks and rewards of the property being valued. In determining the multiple to use, the valuers consider evidence of comparable market transactions. The resulting fair value of the pub represents the land and buildings and any fixed landlord's fixtures and fittings. Also included in property, plant and equipment are right-of-use assets of £309 million. Management has re-calculated the lease liability and measured the ROU asset equal to the lease liability at the acquisition date.

Notes *(continued)*

11 Acquisitions *(continued)*

Investment property: Included in investment property are freehold and leasehold properties of £127 million whose fair value was derived at by an external valuation carried out by GVA Grimley Limited (t/a Avison Young) and Colliers International Property Advisers UK LLP, independent Chartered Surveyors. These assets have been valued adopting the investment method of valuation. By reference to the rents, fixed lease terms and market conditions, an appropriate multiple based on comparable market transactions is applied, discounting future rental receipts back to present value

Intangible assets: The fair values of intangible assets were considered but there were none identified of a material value.

Inventory: The fair value of inventory was deemed to be its carrying value at the date of acquisition.

Trade and other receivables: Trade receivables are primarily rent and drink debt owing from publicans. Ei Group has a stable customer base mostly paying within their payment terms. Historically, Ei Group has not had any significant write offs. As at 3 March 2020, Ei Group has calculated a expected credit loss provision in accordance with IFRS 9, which is included in this balance.

Non-current assets held for sale: Non-current assets classified as held for sale at the acquisition date must be measured at fair value less costs to sell in accordance with IFRS 3. Management have calculated a fair value uplift of £1 million which is the difference between the estimated recovery value (ERV) and carrying value of the asset held for sale. Where there is risk in relation to planning consent being obtained, that risk has been reflected in the ERV in accordance with IFRS 13 which requires an entity to take into account, the characteristics of the asset or liability being measured that a market participant would take into account when pricing the asset or liability at the measurement date.

Borrowings: Included in borrowings were debentures with a fair value of £1,024 million, unsecured facilities with a fair value of £160 million and a revolving credit facility of £30 million all of which was repaid shortly after acquisition with the proceeds of the financing, discussed in note 21. Also included were securitised bonds with a fair value of £778 million which are amortising and have maturities falling due between 2024 and 2032. The securitised bonds were not repaid as part of the acquisition, therefore, in accordance with IFRS 3, they should be included on the balance sheet at fair value. As the securitised bonds are traded in an active market, a fair value of £778 million was calculated based on the 2 March closing bond prices multiplied by the quantity of each bond held at the acquisition date, resulting in a fair value adjustment required of £93 million.

Deferred tax: The deferred tax balance consists of the difference between the fair value and tax base on accelerated capital allowances; the surplus on the revaluation of fixed assets; the fair value of the debt acquired and IFRS 16 adjustments.

Notes *(continued)*

12 Trade and other receivables

	11 April 2021 £m	12 April 2020 £m	27 September 2020 £m
Trade receivables	**37**	34	47
Amounts due from parent undertakings	**7**	-	1
Other receivables	**21**	15	21
Prepayments and accrued income	**19**	21	21
Current tax receivable	**5**	16	5
	89	86	95
Due in more than one year:			
Trade receivables	**3**	3	3
Amounts due from parent undertakings	**-**	6	6
	3	9	9

13 Trade and other payables

	11 April 2021 £m	12 April 2020 £m	27 September 2020 £m
Trade payables	**38**	62	96
Amounts due to parent undertakings	**2**	2	2
Other taxation and social security	**24**	31	55
Other payables	**47**	46	65
Accruals	**148**	141	151
	259	282	369

Notes *(continued)*

14 Borrowings

	11 April 2021 £m	12 April 2020 £m	27 September 2020 £m
Current liabilities			
Bank overdrafts	**-**	25	-
Securitised bonds	**116**	19	57
Lease liabilities	**35**	55	42
	151	99	99
Non-current liabilities			
Bridging loan	**-**	1,398	-
Revolving credit facility	**172**	172	172
Securitised bonds	**614**	752	698
Senior term loan	**-**	438	-
Senior secured notes issued by Stonegate Pub Company Financing 2019 plc	**1,086**	-	971
Privately placed notes issued by Stonegate Pub Company Financing 2019 plc	**505**	-	506
Euro floating rate notes issued by Stonegate Pub Company Financing 2019 plc	**273**	-	273
Euro senior term loan	**176**	-	176
Second lien facility	**390**	390	389
Lease liabilities	**756**	723	763
	3,972	3,873	3,948

Terms and debt repayment schedule:

		Principal outstanding		
	Year of maturity	**11 April 2021 £m**	12 April 2020 £m	27 September 2020 £m
Bridging loan	2025	**-**	1,100	-
Bridging loan	2027	**-**	350	-
Senior term loan	2027	**-**	450	-
Securitised bonds - A4	2027	**244**	263	258
Securitised bonds - M	2024	**225**	225	225
Securitised bonds - N	2032	**190**	190	190
Senior secured notes	2025	**1,070**	-	950
Privately placed notes	2025	**500**	-	500
Euro floating rate notes	2025	**274**	-	274
Euro senior term loan	2027	**178**	-	178
Second lien facility	2028	**400**	400	400
		3,081	2,978	2,975

On 1 December 2020 Stonegate Pub Company Financing 2019 plc issued a further £120 million of senior secured fixed rate notes charging an annual interest rate of 8.25%. The notes will mature on 31 July 2025 and are listed on the Channel Islands stock exchange.

Notes *(continued)*

14 Borrowings *(continued)*

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

	Fair value			Carrying value		
	11 April 2021 £m	12 April 2020 £m	27 September 2020 £m	**11 April 2021 £m**	12 April 2020 £m	27 September 2020 £m
Securitised bonds - A4	**272**	284	271	**267**	293	284
Securitised bonds - M	**229**	243	232	**239**	249	244
Securitised bonds - N	**183**	211	188	**224**	229	227
Senior secured notes	**1,129**	-	864	**1,086**	-	971
Privately placed notes	**523**	-	460	**505**	-	506
Euro floating rate notes	**270**	-	231	**273**	-	273
	2,606	738	2,246	**2,594**	771	2,505

Derivative financial instruments

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

	11 April 2021 £m	12 April 2020 £m	27 September 2020 £m
Cross currency interest rate swaps			
Non-current liabilities	**27**	-	3
	27	-	3

The swaps replace the Euribor rate and also manage exposure to currency risk on the Group's €300 million floating rate loan notes and €196 million senior term loan with fixed rates. On 31 July 2020 Stonegate Pub Company Financing 2019 plc entered into cross currency interest rate swaps related to its euro floating rate notes. On 2 October 2020 Stonegate Pub Company Bidco Limited entered into cross currency swaps related to its euro senior term loan. Movements in fair value are recognised in the income statement.

Notes *(continued)*

15 Net debt

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

	At 29 September 2019 £m	Cash flow £m	Non-cash movements £m	At 12 April 2020 £m
Cash at bank and in hand	22	297	-	319
Bank overdraft	(14)	(11)	-	(25)
Loans and borrowings	(742)	(429)	(1,998)	(3,169)
Lease liabilities	-	-	(778)	(778)
	(734)	(143)	(2,776)	(3,653)
Debt due within one year				(99)
Debt due after one year				(3,873)
Cash at bank and in hand				319
Net debt per balance sheet				**(3,653)**

	At 29 September 2019 £m	Cash flow £m	Non-cash movements £m	At 27 September 2020 £m
Cash at bank and in hand	22	272	-	294
Bank overdraft	(14)	14	-	-
Loans and borrowings	(742)	(403)	(2,097)	(3,242)
Lease liabilities	-	-	(805)	(805)
	(734)	(117)	(2,902)	(3,753)
Debt due within one year				(99)
Debt due after one year				(3,948)
Cash at bank and in hand				294
Net debt per balance sheet				**(3,753)**

Underlying net debt represents amounts repayable to banks and other lenders net of cash retained in the business. Cash includes £85 million (12 April 2020: £105 million, 27 September 2020: £101 million) million held in the securitised Unique sub-group, of which £43 million is held in a securitised reserve account.

Notes *(continued)*

16 Leases

Leases as a lessee

Impacts for the period

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment', the same line item as it presents underlying assets of the same nature that it owns. The following table sets out the movement in the Group's right-of-use assets during the period and the carrying value at 11 April 2021:

		Non-current	Property, plant and equipment		
	Investment property	assets held for sale	Property	Vehicles	Total
Right-of-use-assets	**£m**	**£m**	**£m**	**£m**	**£m**
On transition to IFRS 16 at 30 September 2019	-	-	691	1	692
Modifications	-	-	9	2	11
Additions through business combinations	21	3	309	2	335
Transfer to non-current assets held for sale	-	5	(5)	-	-
Depreciation charge for the year	-	-	(65)	(1)	(66)
Impairment	(1)	(1)	(27)	-	(29)
Derecognition	-	-	(4)	-	(4)
At 27 September 2020	20	7	908	4	939
Modifications	-	-	1	-	1
Depreciation charge for the period	-	-	(35)	-	(35)
Derecognition	-	-	(1)	-	(1)
Balance at 11 April 2021	**20**	**7**	**873**	**4**	**904**
At 29 September 2019	-	-	-	-	-
Adoption of IFRS 16	-	-	691	1	692
Additions through business combinations	21	3	311	-	335
Modifications	-	-	1	-	1
Transfer to non-current assets held for sale		5	(5)	-	-
Depreciation charge for the period	-	-	(31)	-	(31)
Impairment		-	(14)	-	(14)
Derecognition		-	(2)	-	(2)
At 12 April 2020	**21**	**8**	**951**	**1**	**981**

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

	28 weeks ended 11 April 2021	28 weeks ended 12 April 2020	52 weeks ended 27 September 2020
Leases under IFRS 16	**£m**	£m	£m
Interest expense on lease liabilities	**26**	17	39
Depreciation of right of use assets	**35**	31	66
Expenses relating to short-term leases	**-**	-	1
Expenses relating to leases of low-value assets	**-**	-	1
Expenses relating to variable lease payments not included in the measurement of lease liabilities	**-**	-	(1)
	61	48	106

Notes *(continued)*

16 Leases *(continued)*

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

	28 weeks ended 11 April 2021	28 weeks ended 12 April 2020	52 weeks ended 27 September 2020
	£m	£m	£m
Interest payments	**41**	21	22
Principal payments	**-**	-	-
Total cash outflow for leases	**41**	21	22

In relation to those leases under IFRS 16, for the 28 weeks ending 11 April 2021, the Group's operating profit metric improved by £17 million as the new depreciation expense is lower than the IAS 17 operating lease charge. Interest expense was charged of £26 million, such that net profit after tax is lower compared to the previous IAS 17 reporting basis. Operating profit before depreciation, amortisation, impairment and loss on sale of non-current assets is higher compared to the previous IAS 17 reporting basis.

17 Pensions

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

The defined benefit obligation as at 11 April 2021 is calculated on a year-to-date basis using the latest actuarial valuation as at 29 February 2020 and the minimum funding requirements as at 27 September 2020, which was carried out by a qualified independent actuary. Differences between the expected return on assets and the actual return on assets have been recognised as an actuarial gain or loss in the consolidated statement of total recognised gains and losses in accordance with the Group's accounting policy.

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

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

18 Related party transactions

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

Included in amounts due from parent undertakings is a balance of £1 million owing from Stonegate Pub Company Pikco Limited, the immediate parent company (12 April 2020: £Nil, 27 September 2020: £1 million).

There is an amount of £2 million (12 April 2020: £2 million, 27 September 2020: £2 million) owing to Stonegate Pub Company Midco Limited, a parent undertaking, at 11 April 2021, which is included in trade and other payables.

During the period the Group was invoiced management charges of £Nil (11 April 2020: £1 million, 27 September: £1 million) by TDR Capital LLP. The amount outstanding at 11 April 2021 was £Nil (12 April 2020: £Nil, 27 September 2020: £Nil)

The Group also operated a handful of public houses on behalf of entities affiliated with investment funds managed by TDR Capital LLP, known as Cubitt House Limited. The balance owing as a result of transactions on its behalf at 11 April 2021 was £61,000 (12 April 2020: £87,000, 27 September: £93,000).

In a prior period Stonegate Pub Company Limited provided a loan to Stonegate Pub Company Holdings Limited, a parent undertaking, of £6 million. The loan is repayable on 4 April 2022 and charges annual interest of LIBOR + 2.50%.

Notes *(continued)*

17 Related party transactions *(continued)*

The amount owed of £6 million is included in trade and other receivables (12 April 2020: £6 million included in non-current trade and other receivables, 27 September 2020: £6 million included in non-current trade and other receivables).

19 Seasonality of operations

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

20 Post balance sheet events

In line with the Government's 'roadmap' out of national lockdown the Group opened the majority of its estate, those that have outside trading space, on 12 April 2021, and more of its estate indoors on 17 May 2021. The Group's current expectation is that the entire estate will be open once restrictions are lifted on 19 July 2021.

Following the prolonged closure of sites and the Group's inability to trade as a result of the Covid-19 pandemic, the Group has filed a business interruption insurance claim, the quantum of which is not yet agreed with the insurers. The Group has made no adjustments to income as a result of the claim being lodged in these interim consolidated financial statements.

Subsequent to the period end on 31 May 2021 the Group completed on the sale of 30 freehold sites and 1 leasehold site, and 2 further leasehold sites on 21 June 2021 to RedCat Pub Company for £16 million as part of the CMA requirements following the acquisition of Ei Group Limited by Stonegate Pub Company in March 2020. The remaining 9 leasehold sites are expected to complete within the next few months. The Group will run a Transitional Services Agreement for these sites for a period of four months.