Registered number: 05266806

SPIRIT MANAGED FUNDING LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the 52 weeks ended 28 April 2019

SPIRIT MANAGED FUNDING LIMITED

COMPANY INFORMATION

Director	R Smothers
Company secretary	Mrs L A Keswick
Registered number	05266806
Registered office	Westgate Brewery Bury St Edmunds Suffolk IP33 1QT
Auditor	Ernst & Young LLP Statutory Auditor 1 More London Place London SE1 2AF

SPIRIT MANAGED FUNDING LIMITED

CONTENTS

DIRECTOR'S REPORT
For the 52 weeks ended 28 April 2019

The director presents his report and the financial statements for the 52 weeks ended 28 April 2019.

Principal activity

The principal activity of the company is that of a financing company.

Going concern

At the balance sheet date the company had net current assets of £1,702,533,000 and net assets of £1,702,533,000. After making enquires the director has a reasonable expectation that the net assets of £1,702,533,000 are recoverable in full and that the company has adequate resources to continue in operational existence for the foreseeable future. The director is satisfied that the company is able to meet its liabilities as they fall due being a period of no less than 12 months from the date of approval of these financial statements and therefore continue to prepare the financial statements on a going concern basis.

Director

The director who served during the 52 weeks was:

R Smothers

The director did not hold held any interest in the share capital of the company during the period.

The interest of the director in the shares of the ultimate parent company, Greene King plc, are shown in the financial statements of that company, where he is a director of Greene King plc.

Future developments

Growth and development of the business will continue to be encouraged and supported by the board.

Qualifying third party indemnity provisions

The company has indemnified the directors of the company in respect of proceedings brought by third parties. Such qualifying third party indemnity provision remains in place at the date of this report.

Disclosure of information to auditor

The director at the time when this director's report is approved has confirmed that:

- so far as he is aware, there is no relevant audit information of which the company's auditor is unaware, and
- he has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Post balance sheet events

On 19th August 2019, the boards of CK Noble (UK) Limited ("CK Bidco"), a wholly owned subsidiary of CK Asset Holdings Limited ("CKA") , a Cayman Islands company listed on the Hong Kong Stock Exchange and Greene King plc ("Greene King") reached agreement on the terms of a recommended cash offer by CK Bidco for the entire issued and to be issued share capital of Greene King, not already owned by or on behalf of the CKA group.

The Acquisition was implemented by way of a scheme of arrangement which took place on 30 October 2019, and on 31 October 2019 Greene King plc was re-registered as a private limited company with the name Greene King Limited.

On 30 September 2019, the company paid preference share dividends of £8,750,000 and ordinary dividends of £32,616,000 to Spirit Pub Company (SGE) Limited.

There are no other post balance sheet events requiring disclosure in the financial statements.

DIRECTOR'S REPORT (CONTINUED)
For the 52 weeks ended 28 April 2019

Auditor

The auditor, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

In preparing this report, the director has taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

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

Mrs L A Keswick
Secretary
Date: 6 November 2019

DIRECTOR'S RESPONSIBILITIES STATEMENT
For the 52 weeks ended 28 April 2019

The director is responsible for preparing the director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPIRIT MANAGED FUNDING LIMITED

OPINION

We have audited the financial statements of Spirit Managed Funding Limited for the 52 weeks ended 28 April 2019 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and the related notes 1 to 17, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 28 April 2019 and of its profit for the 52 weeks then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including 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 GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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 director's report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the director's report has been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the director's report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the director was not entitled to take advantage of the small companies' exemptions in preparing the director's report and from the requirement to prepare a strategic report.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the director's responsibilities statement, set out on page 3, the director is 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 director 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 director is responsible for assessing the 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 director either intends to liquidate the 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 Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.

Ernst & Young LLP

Lloyd Brown (Senior statutory auditor)

for and on behalf of
Ernst & Young LLP, Statutory Auditor
London, UK

Date: 13/11/2019

STATEMENT OF COMPREHENSIVE INCOME
For the 52 weeks ended 28 April 2019

	Note	**52 weeks ended 28 April 2019 £000**	52 weeks ended 29 April 2018 £000
Interest receivable and similar income	6	**187,083**	148,946
Interest payable and expenses	7	**(17,598)**	(17,598)
Profit before tax		**169,485**	131,348
Taxation	8	**(1,008)**	(2,064)
Profit for the period		**168,477**	129,284

There was no other comprehensive income for 2019 (2018: £nil).

The notes on pages 10 to 20 form part of these financial statements.

SPIRIT MANAGED FUNDING LIMITED
Registered number:05266806

BALANCE SHEET
As at 28 April 2019

	Note	28 April 2019 £000	29 April 2018 £000
Current assets			
Debtors: amounts falling due after more than one year	10	**1,938,646**	1,490,010
Debtors: amounts falling due within one year	10	**105,340**	105,484
		2,043,986	1,595,494
Creditors: amounts falling due within one year	11	**(341,453)**	(367,376)
Net current assets		**1,702,533**	1,228,118
Net assets		**1,702,533**	1,228,118
Capital and reserves			
Called up share capital	13	**7,000**	7,000
Share premium account	14	**43,688**	43,688
Capital redemption reserve	14	**923,474**	923,474
Profit and loss account	14	**728,371**	253,956
Equity		**1,702,533**	1,228,118

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

R Smothers
Director
Date: 6 November 2019

The notes on pages 10 to 20 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the 52 weeks ended 28 April 2019

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 May 2017	7,000	43,688	923,474	124,672	1,098,834
Profit for the period	-	-	-	129,284	129,284
At 30 April 2018	7,000	43,688	923,474	253,956	1,228,118
Impact of change in accounting policy	-	-	-	325,822	325,822
At 30 April 2018 (adjusted balance)	7,000	43,688	923,474	579,778	1,553,940
Profit for the period	-	-	-	168,477	168,477
Dividends: Equity capital	-	-	-	(19,884)	(19,884)
At 28 April 2019	7,000	43,688	923,474	728,371	1,702,533

The notes on pages 10 to 20 form part of these financial statements.

1. GENERAL INFORMATION

Spirit Managed Funding Limited is a private company limited by shares incorporated and domiciled in England & Wales.

The company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except where indicated.

2. ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and applicable accounting standards.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial Reporting standard 101 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

2.3 Impact of new International Reporting Standards, amendments and interpretations

IFRS 9

The company adopted IFRS 9 on 30 April 2018 prospectively, hence, the information presented for comparative periods has not been restated and is presented, as previously reported, under IAS 39.

Classification and measurement
Amounts owed to the company from group undertakings were classified under loans and receivables under IAS 39 and are now held at amortised cost under IFRS 9.

Amounts owed to the company from group undertakings due after more than one year, which comprises five subordinated loans, were classified under loans and receivables under IAS 39. They are now held at fair value through profit and loss under IFRS 9.

2. ACCOUNTING POLICIES (CONTINUED)

2.3 IMPACT OF NEW INTERNATIONAL REPORTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (CONTINUED)

The effect is to increase the subordinated loan held at fair value through profit and loss by £325,967,000 with a further fair value gain of £187,083,000 in the current reporting period.

There is no tax impact from the adoption of IFRS 9.

Impairment of financial assets
IFRS 9 replaces the incurred loss model in IAS 39 with an expected credit loss ("ECL") model. The new impairment model applies to the company's financial assets that are held at amortised cost.

Amounts due to the company from group undertakings are subject to IFRS 9's new ECL model. The amounts owed are not considered to have had a significant increase in credit risk and therefore a twelve month expected credit loss has been determined. Applying the ECL model resulted in the recognition of a loss allowance of £145,000 on 30 April 2018 (previous allowance was £nil) and no further increase in the allowance in the current reporting period.

IFRS 15

There have been no material impacts on the company's financial statements as a result of adopting IFRS 15 from 30 April 2018.

The following tables summarise the impacts of adopting new reporting standards on the company's financial statements.

Balance sheet (extract)

	29 April 2018 As originally presented £000	IFRS 9 £000	29 April 2018 As adjusted £000
CURRENT ASSETS			
Debtors	1,595,494	325,822	1,921,316
CAPITAL AND RESERVES			
Profit and loss account	253,956	325,822	579,778

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Going concern

At the balance sheet date the company had net current assets of £1,702,533,000 and net assets of £1,702,533,000. After making enquires the directors have a reasonable expectation that the net assets of £1,702,533,000 are recoverable in full and that the company has adequate resources to continue in operational existence for the foreseeable future. The directors are satisfied that the company is able to meet its liabilities as they fall due being a period of no less than 12 months from the date of approval of these financial statements and therefore continue to prepare the financial statements on a going concern basis.

2.5 Intercompany balances

Policy applicable from 30 April 2018
Amounts owed by or to group undertakings are classified as short term assets or liabilities unless there is a formal loan arrangement in place that specifies repayment over a period longer than one year at the balance sheet date.

The company recognises a loss allowance for expected credit losses on amounts due from group undertakings. 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 financial assets where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses are recognised. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. For those financial assets where the credit risk has increased significantly (or determined to be credit impaired), lifetime expected credit losses are recognised. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset (or for credit impaired assets, to the net carrying amount of the financial asset).

Policy applicable prior to 30 April 2018
Amounts owed by or to group undertakings are classified as short term assets or liabilities unless there is a formal loan arrangement in place that specifies repayment over a period longer than one year at the balance sheet date.

2.6 Intercompany subordinated loans

Policy applicable from 30 April 2018
Subordinated loans owed by group undertakings are classified as fair value through profit or loss where they do not meet the solely payments of principal and interest test in IFRS 9. The company fair values the instrument, recognising a gain or loss through interest in the statement of comprehensive income.

When subordinated loans meet the solely payments of principal and interest test in IFRS 9 they are classified as held at amortised cost using the effective interest method.

Policy applicable prior to 30 April 2018
Subordinated loans owed to group undertakings are initially recognised at fair value, net of issue costs. After initial recognition, the loans are measured at amortised cost using the effective interest method.

2.7 Interest

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

2. ACCOUNTING POLICIES (CONTINUED)

2.8 Taxation

Tax is recognised in the statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

2.9 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the board. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

3. JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

SIGNIFICANT ACCOUNTING JUDGMENTS

In the course of preparing the financial statements, the key judgment made in the process of applying the company's accounting policies is detailed below:

Financial assets – subordinated loans
The company has applied judgment in determining that certain subordinated loans do not meet the solely payments of principal and interest test in IFRS 9 and has classified the loans as fair value through profit or loss.

For those loans that do meet the solely payments of principal and interest test in IFRS 9 the company has classified the loans at amortised cost.

SIGNIFICANT ACCOUNTING ESTIMATES

The company has no areas of estimation that have a significant risk of resulting in material adjustments to carrying amounts of assets and liabilities.

4. STAFF COSTS

The company has no employees (2018: none) and did not incur any staff costs during the period (2018: £nil).

The directors who held office during the period were also directors of fellow group undertakings. Total emoluments, including any company pension contributions, received by these directors totals £926,000 (2018: £770,000) paid by the ultimate parent company or other group companies. The directors do not believe that it is practicable to apportion this amount between qualifying services as directors to the company and to fellow group undertakings. The number of directors who received or exercised share options during the period was 1 (2018: 1).

5. AUDITOR'S REMUNERATION

The auditor's remuneration for the period of £1,000 (2018: £1,000) has been borne by another group company.

The company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group financial statements of the ultimate parent company.

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	52 weeks ended 28 April 2019 £000	52 weeks ended 29 April 2018 £000
Interest receivable from group undertakings	**-**	148,946
Movement in fair value of subordinated loans	**187,083**	-
	187,083	148,946

7. INTEREST PAYABLE AND SIMILAR EXPENSES

	52 weeks ended 28 April 2019 £000	52 weeks ended 29 April 2018 £000
Interest payable to group undertakings	**17,598**	17,598

8. TAXATION

	52 weeks ended 28 April 2019 £000	52 weeks ended 29 April 2018 £000
Current tax on profits for the year	**1,008**	1,008
Adjustments in respect of previous periods	**-**	1,056
TOTAL CURRENT TAX	**1,008**	2,064

8. TAXATION (CONTINUED)

FACTORS AFFECTING TAXATION FOR THE PERIOD

The tax assessed for the period is lower than (2018 -lower than) the standard rate of corporation tax in the UK of 19.0% (2018 -19.0%). The differences are explained below:

	52 weeks ended 28 April 2019 £000	52 weeks ended 29 April 2018 £000
Profit on ordinary activities before tax	**169,485**	131,348
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.0% (2018 -19.0%)	**32,202**	24,956
EFFECTS OF:		
Expenses not deductible for tax purposes	**3,344**	3,344
Adjustments to tax charge in respect of prior periods	**-**	1,056
Transfer pricing adjustments	**(34,538)**	(27,292)
TOTAL TAX CHARGE FOR THE PERIOD	**1,008**	2,064

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The Finance (No.2) Act 2015 reduced the rate of corporation tax from 20% to 19% from 1 April 2017 and the Finance Act 2016 further reduced the rate to 17% from 1 April 2020. Both these rate reductions were substantively enacted at the balance sheet date and are therefore included in these accounts.

9. DIVIDENDS

	28 April 2019 £000	29 April 2018 £000
Ordinary	**19,884**	-

Dividends of £2.84 per share (2018: £nil) were paid in the year.

10. DEBTORS

	28 April 2019 £000	29 April 2018 £000
DUE AFTER MORE THAN ONE YEAR		
Subordinated loans owed by group undertakings held at fair value through profit and loss	**1,938,646**	1,490,010

	28 April 2019 £000	29 April 2018 £000
DUE WITHIN ONE YEAR		
Amounts owed by group undertakings	**105,340**	105,484

Subordinated loans owed by group undertakings held at fair value through profit and loss of £1,938,646,000 (2018: £1,490,010,000) comprise five subordinated loans.

Three of the loans are due from Spirit Issuer plc, Spirit Pub Company (Managed) Limited and Spirit Pub Company (Leased) Limited and the carrying values are £162,180,000, £614,978,000 and £1,152,000,000 respectively (2018: £119,655,000, £395,298,000 and £961,855,000 respectively). Interest accrues at 16% per annum and interest also accrues on unpaid interest at a rate of 15.01% per annum. Repayment of the loans are only permissible following repayment of all of the secured loan notes that Spirit Pub Company (Managed) Limited and Spirit Pub Company (Leased) Limited holds with Spirit Isssuer plc, a fellow group undertaking, in 2034.

The remaining two loans are due from Spirit Pub Company (Managed) Limited and Spirit Pub Company (Leased) Limited and the carrying values are £4,741,000 and £4,747,000 respectively (2018: £6,596,000 and £6,606,000 respectively). Interest accrues at 16% per annum. Repayment of the loans are only permissible following repayment of all the secured loan notes that Spirit Pub Company (Managed) Limited and Spirit Pub Company (Leased) Limited holds with Spirit Isssuer plc, a fellow group undertaking, in 2036.

Amounts owed to group undertakings due within one year are unsecured, bear no interest, have no fixed date of repayment, are repayable on demand and are held at amortised cost. Expected credit losses of £145,000 (2018: £nil) have been recognised against the carrying value.

The effect of initial adoption of IFRS 9 is described in note 2.3.

11. CREDITORS: Amounts falling due within one year

	28 April 2019 £000	29 April 2018 £000
Amounts owed to group undertakings	**81,151**	80,143
Corporation tax payable	**1,008**	1,008
Share capital treated as debt (note 13)	**252,090**	252,090
Accrued preferential dividends	**7,204**	34,135
	341,453	367,376

Amounts owed to group undertakings are unsecured, bear no interest, have no fixed date of repayment, are repayable on demand and are held at amortised cost.

252,090,000 redeemable, cumulative, non voting, 7% preference shares of £1 each are held by the company's sole shareholder, Spirit Pub Company (SGE) Limited. The preferential dividend becomes due and payable on 30 May and 30 November each year. The preference shares are redeemable at the option of Spirit Pub Company (SGE) Limited, on giving notice to the company. No premium is payable on redemption.

Preferential dividends become due and payable to the company on 30 May and 30 November each year.

As at the balance sheet date accrued dividend payments are as follows:

	28 April 2019 £000	29 April 2018 £000
Dividend due 30 May 2016	-	341
Dividend due 30 November 2016	-	8,896
Dividend due 30 May 2017	-	8,751
Dividend due 30 November 2017	-	8,896
Dividend due 30 May 2018	-	7,251
Dividend due 30 May 2019	**7,204**	-
	7,204	34,135

12. FINANCIAL INSTRUMENTS

Fair values
Set out below is a comparison of carrying amounts and fair values of all of the company's financial instruments.

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:

Subordinated loans due from group undertakings held at fair value through profit or loss: classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs. The valuation technique used to value the financial instruments was discounted cash flow analysis. Fair values of subordinated loans are calculated by discounting estimated future cash flows by an implied yield determined with reference to observable market data adjusted to take account of economic differences between the subordinated loans and the reference security. These adjustments reflect the length, lack of marketability and subordination of the loan. The cash flows have been assumed to take place at the maturity date.

	Hierarchical classification	Fair value 28 April 2019 £000	Carrying value 28 April 2019 £000	Carrying value 29 April 2018 £000
Financial assets				
Subordinated loans held at fair value through profit or loss	Level 3	1,938,646	1,938,646	1,490,010

The subordinated loans owed by group undertakings have been reclassified to be held at fair value through profit and loss upon adoption of IFRS 9 on 30 April 2018. IFRS 9 was adopted prospectively, hence, fair value comparatives have not been presented. For further details on the adoption of IFRS 9 please see note 2.3.

The discount rate used to calculate the fair value of the subordinated loans was 9.63% (2018: n/a). A 1% increase in this discount rate would decrease the fair value to £1,658,451,000 (2018: n/a).

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 be 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 and liabilities.
Level 2 - other techniques for which all inputs 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 28 April 2019 and 29 April 2018 there were no transfers between fair value levels 1, 2 or 3.

. FINANCIAL INSTRUMENTS (continued)

The following table is a reconciliation of fair value measurements categorised within level 3 of the fair value hierarchy.

	28 April 2019 £000
Opening balance	**1,815,977**
Fair value gains	**187,083**
Settlements	**(64,414)**
	1,938,646

13. SHARE CAPITAL

	28 April 2019 £000	29 April 2018 £000
Shares classified as equity		
Allotted, called up and fully paid		
7,000,003 (2018 -7,000,003) Ordinary shares of £1.00 each	**7,000**	7,000

	28 April 2019 £000	29 April 2018 £000
Shares classified as debt		
Allotted, called up and fully paid		
252,090,000 (2018 -252,090,000) Preference shares of £1.00 each	**252,090**	252,090

14. RESERVES

Share premium account

Share premium represents the excess of proceeds received over the nominal value of new shares issued.

Capital redemption reserve

Capital redemption reserve arose from the purchase and cancellation of own share capital, and represents the nominal amount of the share capital cancelled.

Profit and loss account

Profit and loss account reserve represents accumulated retained earnings.

15. RELATED PARTY TRANSACTIONS

During the period the company entered into transactions, in the ordinary course of business, with other related parties. The company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with related parties that are wholly owned subsidiaries of the Greene King plc group. Amounts shown as owed to and by group subsidiaries are all held with fellow group undertakings. There were no transactions entered into during the financial year or trading balances outstanding at the balance sheet date with other related parties.

16. POST BALANCE SHEET EVENTS

On 19th August 2019, the boards of CK Noble (UK) Limited ("CK Bidco"), a wholly owned subsidiary of CK Asset Holdings Limited ("CKA") , a Cayman Islands company listed on the Hong Kong Stock Exchange and Greene King plc ("Greene King") reached agreement on the terms of a recommended cash offer by CK Bidco for the entire issued and to be issued share capital of Greene King, not already owned by or on behalf of the CKA group.

The Acquisition was implemented by way of a scheme of arrangement which took place on 30 October 2019, and on 31 October 2019 Greene King plc was re-registered as a private limited company with the name Greene King Limited.

On 30 September 2019, the company paid preference share dividends of £8,750,000 and ordinary dividends of £32,616,000 to Spirit Pub Company (SGE) Limited.

There are no other post balance sheet events requiring disclosure in the financial statements.

17. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

At the balance sheet date, the directors consider the immediate parent undertaking and immediate controlling party of Spirit Managed Funding Limited to be Spirit Pub Company (SGE) Limited, a company incorporated in England and Wales.

The ultimate parent undertaking and ultimate controlling party is Greene King plc, a company registered in England and Wales. On 31 October 2019 Greene King plc was re-registered as a private limited company with the name Greene King Limited.

Greene King 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 Westgate Brewery, Bury St Edmunds, Suffolk, IP33 1QT.