

Registered number: 05266806

## **SPIRIT MANAGED FUNDING LIMITED**

### **ANNUAL REPORT AND FINANCIAL STATEMENTS**

**For the 52 weeks ended 2 January 2022**



## **SPIRIT MANAGED FUNDING LIMITED**

### **COMPANY INFORMATION**

<b>Director</b>	M Lee (appointed 15 October 2021)
<b>Company secretary</b>	Mrs L A Keswick
<b>Registered number</b>	05266806
<b>Registered office</b>	Westgate Brewery Bury St Edmunds Suffolk IP33 1QT
<b>Auditor</b>	Deloitte LLP Statutory Auditor 1 New Street Square London EC4A 3HQ

## **SPIRIT MANAGED FUNDING LIMITED**

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## **SPIRIT MANAGED FUNDING LIMITED**

### **DIRECTORS' REPORT** **For the 52 weeks ended 2 January 2022**

The directors present their report and the financial statements for the 52 weeks ended 2 January 2022.

#### **Principal activity**

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

Following the acquisition of the Greene King Limited group by CK Noble (UK) Limited on 30 October 2019, the financial year end of the company was changed to 31 December so as to be coterminous with the year end of the ultimate parent undertaking, CK Asset Holdings Limited. Accordingly, the prior financial statements were prepared for 36 weeks from 27 April 2020 to 3 January 2021 and as a result, the comparative figures stated in the statement of comprehensive income, statement of changes in equity and the related notes are not comparable.

#### **Going concern**

Greene King Limited has agreed to provide continuing financial support to enable the company to meet its obligations as and when they fall due for a period of at least 12 months from the date of the approval of the financial statements.

The directors of Greene King Limited have assessed the continued impact of the COVID-19 pandemic as part of their going concern assessment of the Greene King Limited group. In doing so, the Greene King Limited directors have modelled a reasonable worst-case scenario of a further sustained Omicron-style COVID-19 variant impacting the UK through the winter of 2022. The directors have also modelled what they believe to be a remote scenario, a two-month lockdown without government support during the peak months. Under both scenarios the group continues to have access to the adequate funding to support the business through a period of at least 12 months from the date of the approval of the financial statements, including the repayment of the Spirit debenture debt of c.£100m should this debt be accelerated while the platform remains in technical default. However, in the absence of any government support this reduction in trade would likely result in further breaches of both the two-quarter and four-quarter lookback FCF DSCR covenant in the Greene King securitisation without mitigating actions. In either scenario the directors could elect to prevent the breach by providing financial support to the Greene King securitisation through lower operating cost recharges from other group companies, or alternatively seek a further waiver from bondholders. The directors of Greene King Limited have a reasonable expectation that the group has adequate resources to continue in operational existence for at least the next 12 months from the date of the approval of the financial statements.

The directors of the company have made appropriate enquiries of the directors of Greene King Limited to confirm that they are satisfied that the financial support will be available and accordingly continue to prepare the financial statements on a going concern basis.

#### **Directors**

The directors who served during the 52 weeks and to the date of this report were:

R Smothers (resigned 15 October 2021)

M Lee (appointed 15 October 2021)

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

#### **Future developments**

No significant changes are anticipated to the activities of the company in the foreseeable future.

#### **Directors' and officers indemnity insurance**

Greene King Limited group ("the group") has taken out insurance to indemnify the director of the company against third party proceedings whilst serving on the board of the company and of any subsidiary. This cover indemnifies all employees of the group who serve on the boards of all subsidiaries. These indemnity policies subsisted throughout the year and remain in place at the date of this report.

**SPIRIT MANAGED FUNDING LIMITED**

**DIRECTORS' REPORT (CONTINUED)**  
**For the 52 weeks ended 2 January 2022**

**Disclosure of information to auditor**

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director 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**

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

**Auditor**

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

In preparing this report, the directors have 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.



**M Lee**  
Director  
Date: 29 June 2022

## **SPIRIT MANAGED FUNDING LIMITED**

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

**For the 52 weeks ended 2 January 2022**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the 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 directors are 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 directors are 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 them to ensure that the financial statements comply with the Companies Act 2006. They are 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**

### **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

#### **Opinion**

In our opinion, the financial statements of Spirit Managed Funding Limited (the 'company'):

- give a true and fair view of the company's affairs as at 2 January 2022 and of its profit for the 52 weeks then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- and the related notes 1 to 17.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

#### **Basis for opinion**

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

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

#### **Conclusions relating to going concern**

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

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

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

#### **Other information**

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

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

We have nothing to report in this regard.

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

### **Responsibilities of directors**

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

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

### **Auditor's responsibilities for the audit of the financial statements**

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

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

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

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

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

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

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

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

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



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

In addition to the above, our procedures to respond to the risks identified included the following:

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

### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

#### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

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

#### **Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept, 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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.
- the directors were not entitled to take advantage of the small companies' exemptions from preparing a strategic report and in preparing the directors' report.

We have nothing to report in respect of these matters.

#### **Use of our report**

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



Paul Cooper (Senior statutory auditor)

for and on behalf of  
Deloitte LLP, Statutory Auditor  
Cambridge

Date: 29 June 2022

**SPIRIT MANAGED FUNDING LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME**  
For the 52 weeks ended 2 January 2022

		52 weeks ended 2 January 2022 £000	36 weeks ended 3 January 2021 £000
	Note		
Net impairment reversal/(losses) on financial assets		4	(142)
Interest payable and similar expenses	6	(17,598)	(12,183)
Fair value movements	7	614,665	831,601
<b>Profit before tax</b>		<b>597,071</b>	<b>819,276</b>
Taxation	8	(981)	1,006
<b>Profit for the period</b>		<b>596,090</b>	<b>820,282</b>

There was no other comprehensive income for 52 weeks ended 2 January 2022 (36 weeks ended 3 January 2021: £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 2 January 2022

	Note	2 January 2022 £000	As restated 3 January 2021 £000
<b>Fixed assets</b>			
Investments	9	3,216,670	2,602,005
<b>Current assets</b>			
Debtors	10	102,439	102,435
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	11	(381,313)	(362,734)
<b>Net current liabilities</b>		<u>(278,874)</u>	<u>(260,299)</u>
<b>Total assets less current liabilities</b>		<u>2,937,796</u>	<u>2,341,706</u>
<b>Net assets</b>		<u>2,937,796</u>	<u>2,341,706</u>
<b>Capital and reserves</b>			
Called up share capital	14	7,000	7,000
Share premium account	15	43,688	43,688
Capital redemption reserve	15	923,474	923,474
Profit and loss account	15	1,963,634	1,367,544
<b>Equity</b>		<u>2,937,796</u>	<u>2,341,706</u>

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



**M Lee**  
Director  
Date: 29 June 2022

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

**SPIRIT MANAGED FUNDING LIMITED**

**STATEMENT OF CHANGES IN EQUITY**  
For the 52 weeks ended 2 January 2022

	<b>Called up share capital</b>	<b>Share premium account</b>	<b>Capital redemption reserve</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 27 April 2020	7,000	43,688	923,474	547,262	1,521,424
Profit for the period	-	-	-	820,282	820,282
At 4 January 2021	7,000	43,688	923,474	1,367,544	2,341,706
Profit for the period	-	-	-	596,090	596,090
<b>At 2 January 2022</b>	<b>7,000</b>	<b>43,688</b>	<b>923,474</b>	<b>1,963,634</b>	<b>2,937,796</b>

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

## **SPIRIT MANAGED FUNDING LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the 52 weeks ended 2 January 2022**

#### **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 the Companies Act 2006.

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).

Following the acquisition of the Greene King Limited group by CK Noble (UK) Limited on 30 October 2019, the financial year end of the company was changed to 31 December so as to be coterminous with the year end of the ultimate parent undertaking, CK Asset Holdings Limited. Accordingly, the prior financial statements were prepared for 36 weeks from 27 April 2020 to 3 January 2021 and as a result, the comparative figures stated in the statement of comprehensive income, statement of changes in equity and the related notes are not comparable.

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 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

This information is included in the consolidated financial statements of Greene King Limited as at 2 January 2022 and these financial statements may be obtained from Westgate Brewery, Bury St Edmunds, Suffolk, IP33 1QT.

## **SPIRIT MANAGED FUNDING LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS** **For the 52 weeks ended 2 January 2022**

## **2. ACCOUNTING POLICIES (CONTINUED)**

### **2.3 Going concern**

Greene King Limited has agreed to provide continuing financial support to enable the company to meet its obligations as and when they fall due for a period of at least 12 months from the date of the approval of the financial statements.

The directors of Greene King Limited have assessed the continued impact of the COVID-19 pandemic as part of their going concern assessment of the Greene King Limited group. In doing so, the Greene King Limited directors have modelled a reasonable worst-case scenario of a further sustained Omicron-style COVID-19 variant impacting the UK through the winter of 2022. The directors have also modelled what they believe to be a remote scenario, a two-month lockdown without government support during the peak months. Under both scenarios the group continues to have access to the adequate funding to support the business through a period of at least 12 months from the date of the approval of the financial statements, including the repayment of the Spirit debenture debt of c.£100m should this debt be accelerated while the platform remains in technical default. However, in the absence of any government support this reduction in trade would likely result in further breaches of both the two-quarter and four-quarter lookback FCF DSCR covenant in the Greene King securitisation without mitigating actions. In either scenario the directors could elect to prevent the breach by providing financial support to the Greene King securitisation through lower operating cost recharges from other group companies, or alternatively seek a further waiver from bondholders. The directors of Greene King Limited have a reasonable expectation that the group has adequate resources to continue in operational existence for at least the next 12 months from the date of the approval of the financial statements.

The directors of the company have made appropriate enquiries of the directors of Greene King Limited to confirm that they are satisfied that the financial support will be available and accordingly continue to prepare the financial statements on a going concern basis.

### **2.4 Intercompany balances**

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 or they are intended for long-term funding purposes in which case they are held as fixed asset investments.

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).

### **2.5 Intercompany subordinated loans**

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.

## **SPIRIT MANAGED FUNDING LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS** **For the 52 weeks ended 2 January 2022**

#### **2. ACCOUNTING POLICIES (CONTINUED)**

##### **2.6 Share capital treated as debt**

An equity instrument is a contract that evidences a residual interest in the assets of the entity after deducting all its liabilities. Accordingly, financial instruments issued by the company are presented as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

Finance payments associated with financial instruments that are classified as equity are dealt with as appropriations in the reconciliation of movements in shareholder's funds. Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges.

##### **2.7 Taxation**

Tax is recognised in profit or loss 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.

## SPRIT MANAGED FUNDING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 2 January 2022

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

##### Financial assets - fair value through profit or loss

The subordinated loans are 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. The discount rate applied is 7.65% (2021: 8.61%). Management has provided analysis of the sensitivity to key assumptions in note 12.

#### 4. STAFF COSTS

The company has no employees (36 weeks ended 3 January 2021: none) and did not incur any staff costs during the period (36 weeks ended 3 January 2021: £nil).

The directors did not receive any remuneration during the current or prior period in respect of their services to the company.

#### 5. AUDITOR'S REMUNERATION

The auditor's remuneration in respect of the audit of the financial statements for the period of £1,500 (2021: £1,500) 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 PAYABLE AND SIMILAR EXPENSES

	52 weeks ended 2 January 2022 £000	36 weeks ended 3 January 2021 £000
Interest payable to group undertakings	17,598	12,183



**SPIRIT MANAGED FUNDING LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
For the 52 weeks ended 2 January 2022

**7. FAIR VALUE MOVEMENTS**

	52 weeks ended 2 January 2022 £000	36 weeks ended 3 January 2021 £000
Movement in fair value of subordinated loans owed by group undertakings	563,344	762,050
Movement in fair value of subordinated loans owed by Spirit Issuer plc	51,321	69,551
	<u>614,665</u>	<u>831,601</u>

**8. TAXATION**

	52 weeks ended 2 January 2022 £000	36 weeks ended 3 January 2021 £000
<b>Corporation tax</b>		
Current tax on profits for the year	981	-
Adjustments in respect of previous periods	-	(1,006)
<b>Total current tax</b>	<u>981</u>	<u>(1,006)</u>

**FACTORS AFFECTING TAXATION FOR THE PERIOD**

The tax assessed for the period is lower than (2021:lower than) the standard rate of corporation tax in the UK of 19.0% (2021:19.0%). The differences are explained below:

	52 weeks ended 2 January 2022 £000	36 weeks ended 3 January 2021 £000
Profit on ordinary activities before tax	<u>597,071</u>	<u>819,276</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.0% (2021:19.0%)	113,443	155,662
<b>Effects of:</b>		
Expenses not deductible for tax purposes	3,343	2,342
Adjustments to tax charge in respect of prior periods	-	(1,006)
Group relief for nil consideration	-	(678)
Transfer pricing adjustments	(115,805)	(157,326)
<b>Total taxation for the period</b>	<u>981</u>	<u>(1,006)</u>

# **SPIRIT MANAGED FUNDING LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS** For the 52 weeks ended 2 January 2022

### **8. TAXATION (CONTINUED)**

#### **FACTORS THAT MAY AFFECT FUTURE TAX CHARGES**

Under Finance Act 2021 enacted on 10 June 2021, the Corporation Tax rate for the 12 months from 3 January 2021 remains at 19%, but will increase to 25% as the planned main rate of corporation tax from 1 April 2023.

### **9. FIXED ASSET INVESTMENTS**

	Subordinated loans owed by group undertakings held at fair value through profit or loss £000	Subordinated loans owed by Spirit Issuer plc held at fair value through profit or loss £000	Total £000
<b>Cost or valuation</b>			
At 4 January 2021 (as previously stated)	-	-	-
Prior Year Adjustment	2,384,597	217,408	2,602,005
At 4 January 2021 (as restated)	2,384,597	217,408	2,602,005
Fair value gains	563,344	51,321	614,665
At 2 January 2022	2,947,941	268,729	3,216,670

Subordinated loans owed by group undertakings held at fair value through profit or loss of £2,947,941,000 (2021: £2,384,597,000) comprise six (2021: six) individual subordinated loans.

Two of the loans are due from Spirit Pub Company (Managed) Limited and Spirit Pub Company (Leased) Limited and the carrying values are £1,022,115,000 and £1,905,904,000 respectively (2021: £825,591,000 and £1,543,247,000 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 due in 2034.

The remaining four loans are due from Spirit Pub Company (Managed) Limited and Spirit Pub Company (Leased) Limited and the carrying values are £8,277,000 and £11,645,000 respectively (2021: £6,517,000 and £9,242,000 respectively). Interest accrues at 16% per annum. Repayment of the loans are due in 2036.

The subordinated loan owed by Spirit Issuer plc held at fair value through profit or loss has a carrying value of £268,729,000 (2021: £217,408,000). Interest accrues at 16% per annum and interest also accrues on unpaid interest at a rate of 15.01% per annum. Repayment of the loan is due in 2034.

Repayment of all the subordinated loans due to the company is only permissible following repayment of the secured loan note owed to Spirit Issuer plc by Spirit Pub Company (Managed) Limited and Spirit Pub Company (Leased) Limited.

The subordinated loans due from group undertakings and Spirit Issuer plc had been incorrectly presented within current assets as amounts falling due after more than one year when they should have been presented as a fixed asset as the loans were intended for long-term funding purposes (see note 13).

# **SPIRIT MANAGED FUNDING LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**For the 52 weeks ended 2 January 2022**

### **10. DEBTORS: Amounts falling due within one year**

	2 January 2022 £000	As restated 3 January 2021 £000
Amounts owed by group undertakings	<b>102,439</b>	102,435

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 £347,000 (2021: £351,000) have been recognised against the carrying value.

The subordinated loans due from group undertakings had been incorrectly presented within current assets as amounts falling due after more than one year when they should have been presented as a fixed asset as the loans were intended for long-term funding purposes (see note 13).

### **11. CREDITORS: Amounts falling due within one year**

	2 January 2022 £000	3 January 2021 £000
Amounts owed to group undertakings	<b>82,410</b>	82,410
Corporation tax payable	<b>981</b>	-
Share capital treated as debt	<b>252,090</b>	252,090
Accrued preferential dividends	<b>45,832</b>	28,234
	<b>381,313</b>	362,734

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.

## SPIRIT MANAGED FUNDING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS For the 52 weeks ended 2 January 2022

#### 11. CREDITORS: Amounts falling due within one year (continued)

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:

	2 January 2022 £000	3 January 2021 £000
Dividend due 30 November 2019	8,896	8,896
Dividend due 30 May 2020	8,799	8,799
Dividend due 30 November 2020	8,896	8,896
Dividend due 30 May 2021	8,751	1,643
Dividend due 30 November 2021	8,896	-
Dividend due 30 May 2022	1,594	-
	45,832	28,234

#### 12. FINANCIAL INSTRUMENTS

##### Fair values

Set out below is a comparison of carrying amounts and fair values of certain 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 2 January 2022 £000	Carrying value 2 January 2022 £000	Fair value 3 January 2021 £000	Carrying value 3 January 2021 £000
<b>Fixed assets</b>					
Subordinated loans held at fair value through profit or loss	Level 3	3,216,670	3,216,670	2,602,005	2,602,005
		3,216,670	3,216,670	2,602,005	2,602,005

## SPIRIT MANAGED FUNDING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS For the 52 weeks ended 2 January 2022

#### 12. FINANCIAL INSTRUMENTS (continued)

The discount rate used to calculate the fair value of the subordinated loans was 7.65% (2021: 8.61%). A 1% increase in this discount rate would decrease the fair value to £2,217,147,000 (2021: £2,261,601,000).

Included in the discount rate of 7.65% is a spread over the A5 bond yield of 4.5% which is an unobservable input used in the level 3 fair value measurement. The impact on the fair value of the subordinated loans from using the lowest and highest spread range points of 3.9% to 6.6%, would be £242,246,000 increase in fair value and £768,397,000 decrease in fair value respectively (2021: £212,723,000 and £662,006,000 respectively).

#### **Hierarchical classification of financial assets and liabilities measured at fair value.**

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

The classification uses the following three-level hierarchy:

Level 1 - unadjusted quoted prices in active markets for identical assets 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 2 January 2022 and 3 January 2021 there were no transfers between fair value levels 1, 2 or 3.

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

	2 January 2022 £000	3 January 2021 £000
Opening balance	2,602,005	1,767,454
Fair value gains	614,665	831,601
Advances	-	2,950
	<u>3,216,670</u>	<u>2,602,005</u>

# **SPIRIT MANAGED FUNDING LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**For the 52 weeks ended 2 January 2022**

### **13. PRIOR PERIOD ADJUSTMENT**

The subordinated loans due from group undertakings had been incorrectly presented within current assets as amounts falling due after more than one year when they should have been presented as a fixed asset as the loans were intended for long-term funding purposes.

As a result, comparative figures for the period ended 3 January 2021 have been adjusted as follows:

	As previously reported £000	Effect of the restatement £000	As restated £000
<b>Balance sheet</b>			
Fixed assets			
Loans due from group undertakings	-	2,384,597	2,384,597
Loan due from Spirit Issuer plc	-	217,408	217,408
Current assets			
Debtors: Amounts falling due after more than one year	2,602,005	(2,602,005)	-
	<u>2,602,005</u>	<u>(2,602,005)</u>	<u>-</u>

### **14. SHARE CAPITAL**

	2 January 2022 £000	3 January 2021 £000
<b>Shares classified as equity</b>		
<b>Allotted, called up and fully paid</b>		
7,000,003 (2021:7,000,003) Ordinary shares of £1.00 each	7,000	7,000
	<u>7,000</u>	<u>7,000</u>
	2 January 2022 £000	3 January 2021 £000
<b>Shares classified as debt</b>		
<b>Allotted, called up and fully paid</b>		
252,090,000 (2021:252,090,000) Preference shares of £1.00 each	252,090	252,090
	<u>252,090</u>	<u>252,090</u>

## **SPIRIT MANAGED FUNDING LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the 52 weeks ended 2 January 2022**

#### **15. 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.

#### **16. 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 CK Asset Holdings Limited group.

Movement in fair value of subordinated loan receivable from and balances owed by Spirit Issuer plc, an entity that is controlled by the CK Asset Holdings Limited group but not a wholly owned subsidiary of that group, are disclosed in notes 7 and 9.

Amounts shown as owed to and by group undertakings are all held with fellow group undertakings.

#### **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 CK Asset Holdings Limited, a company registered in the Cayman Islands and registered in Hong Kong with its shares listed on the Main Board of the Hong Kong Stock Exchange.

Greene King Limited is the smallest 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.

CK Asset Holdings Limited is the largest group which includes the results of the company and for which group financial statements are prepared. Copies of its group financial statements are available from 7th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong.