

Company Registration No 05266815 (England and Wales)

SPIRIT MANAGED INNS LIMITED
ANNUAL REPORT
FOR THE 53 WEEK PERIOD ENDED 23 AUGUST 2014

MONDAY



A43 *A3MAKK5F* 08/12/2014 #97
COMPANIES HOUSE

SPIRIT MANAGED INNS LIMITED

COMPANY INFORMATION

Directors	P Gallagher L Bell D A Kelly J Langford
Joint secretaries	C Stewart & H Jones
Company number	05266815
Registered office	Sunrise House Ninth Avenue Burton Upon Trent Staffordshire DE14 3JZ
Auditor	KPMG LLP One Snowhill Snow Hill Queensway Birmingham B4 6GH
Bankers	Barclays Bank plc One Snowhill Snow Hill Queensway Birmingham B3 2WN
Solicitors	Slaughter and May One Bunhill Row London EC1Y 8YY

SPIRIT MANAGED INNS LIMITED

CONTENTS

	Page
Strategic report	1
Directors' report	2 - 3
Independent auditor's report	4 - 5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8 - 13

SPIRIT MANAGED INNS LIMITED

STRATEGIC REPORT

FOR THE 53 WEEK PERIOD ENDED 23 AUGUST 2014

The directors present this strategic report, the Directors' report and financial statements for the 53 week period ended 23 August 2014

Principal activities

The principal activity of the company is that of a non-trading company

Review of the business

Spirit Pub Company manages its operations at a group level and the directors therefore believe that disclosure of key performance indicators for the company are not appropriate to understand the development, performance or position of the business. The performance of the Spirit Pub Company group is discussed in the Annual Results 2014 announcement available on the group's website (www.spiritpubcompany.com) and in the Annual Report and Accounts 2014 which will be available on the website from 2 December 2014

The directors do not consider that there are any specific principal risks and uncertainties applicable to the company which need to be disclosed

On behalf of the board



P Gallagher

Director

11 November 2014

SPIRIT MANAGED INNS LIMITED

DIRECTORS' REPORT

FOR THE 53 WEEK PERIOD ENDED 23 AUGUST 2014

The directors present their report and financial statements for the 53 week period ended 23 August 2014

Results and dividends

The results for the 53 week period are set out on page 6

The directors do not recommend payment of an ordinary dividend

Going concern

The directors of Spirit Managed Inns Limited have concluded that the company has adequate resources to remain in operation for the foreseeable future. Therefore, the directors have continued to adopt the going concern basis in preparing the financial statements

Post balance sheet events

At 23 August 2014, no obligation exists for dividends declared after that date

Directors

The following directors have held office since 18 August 2013

P Gallagher
L Bell
D A Kelly
J Langford

Political contributions and charitable donations

During the 53 week period ended 23 August 2014, the company made no political contributions or charitable donations

Auditor

KPMG Audit Plc resigned as auditor on 8 January pursuant to section 516 of the Companies Act 2006. On 14 January 2014 the Directors appointed KPMG LLP as auditor of the company to fill the casual vacancy as auditor under section 485(3) of the Companies Act 2006. Pursuant to Section 487 of the companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office

Statement of disclosure to auditor

So far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information

Qualifying third party indemnity provisions

A third party indemnity provision (as defined in section 234 of the Companies Act 2006) is in force for the benefit of the directors

SPIRIT MANAGED INNS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE 53 WEEK PERIOD ENDED 23 AUGUST 2014

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, 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 directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 judgements 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 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.

On behalf of the board



P Gallagher
Director

11 November 2014

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

We have audited the financial statements of Spirit Managed Inns Limited for the 53 week period ended 23 August 2014 set out on pages 6 to 13. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of directors' responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 23 August 2014 and of its loss for the 53 week period 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial 53 week period for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPIRIT MANAGED INNS LIMITED (CONTINUED)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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 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 prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the directors' report and from preparing a strategic report



**Greg Watts (Senior Statutory Auditor)
for and on behalf of KPMG LLP**

12th November 2014

**Chartered Accountants
Statutory Auditor**

One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

SPIRIT MANAGED INNS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE 53 WEEK PERIOD ENDED 23 AUGUST 2014

		53 week period ended 23 August 2014 £000	52 week period ended 17 August 2013 £000
	Notes		
Operating profit		-	-
Other interest receivable and similar income	3	3,633	3,565
Interest payable and similar charges	4	(423)	(415)
Profit on ordinary activities before taxation		3,210	3,150
Tax on profit on ordinary activities	5	(3,996)	(3,274)
Loss for the 53 week period	10	(786)	(124)

The profit and loss account has been prepared on the basis that all operations are continuing operations

There are no recognised gains and losses other than those passing through the profit and loss account

Notes on pages 8 to 13 form part of these financial statements

SPIRIT MANAGED INNS LIMITED

BALANCE SHEET

AS AT 23 AUGUST 2014

	Notes	2014 £000	2014 £000	2013 £000	2013 £000
Current assets					
Debtors (including £256,048,000 (2013 £252,415,000) due after more than one year)	6	256,130		252,415	
		<u>256,130</u>		<u>252,415</u>	
Creditors amounts falling due within one year	7	(13,405)		(9,327)	
		<u></u>		<u></u>	
Net current liabilities (excluding debtors falling due after more than one year)			(13,323)		(9,327)
			<u></u>		<u></u>
Total assets less current liabilities			242,725		243,088
			<u></u>		<u></u>
Creditors amounts falling due after more than one year	8		(59,679)		(59,256)
			<u></u>		<u></u>
Net assets			<u>183,046</u>		<u>183,832</u>
			<u></u>		<u></u>
Capital and reserves					
Called up share capital	9		150,000		150,000
Other reserves	10		53,600		53,600
Profit and loss account	10		(20,554)		(19,768)
			<u></u>		<u></u>
Shareholders' funds	11		<u>183,046</u>		<u>183,832</u>
			<u></u>		<u></u>

Notes on pages 8 to 13 form part of these financial statements

Approved by the Board and authorised for issue on 11 November 2014


P Gallagher
Director

Company Registration No. 05266815

SPIRIT MANAGED INNS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 53 WEEK PERIOD ENDED 23 AUGUST 2014

1 Accounting policies

1.1 Basis of preparation

The financial statements are prepared under the historical cost convention

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently

1.2 Going concern

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing the financial statements

1.3 Cash flow statement

The company has taken advantage of the exemption in Financial Reporting Standard (FRS) 1 (Revised 1996) from the requirement to produce a cash flow statement on the grounds that it is a subsidiary undertaking where 90 percent or more of the voting rights are controlled within the group

1.4 Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future, or a right to pay less tax in the future have occurred at the balance sheet date

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis

2 Operating profit

Auditor's remuneration is paid by another company in the Spirit Pub Company group in the current and preceding periods

3 Other interest receivable and similar income	2014	2013
	£000	£000
Interest receivable from group undertakings	3,633	3,565
	<u>3,633</u>	<u>3,565</u>

SPIRIT MANAGED INNS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 53 WEEK PERIOD ENDED 23 AUGUST 2014

4	Interest payable	2014	2013
		£000	£000
	Interest paid to group undertakings	423	415
		<u> </u>	<u> </u>
5	Taxation	2014	2013
		£000	£000
	Current year tax		
	Adjustment for prior years	465	-
	Charge in respect of group relief	3,531	3,274
		<u> </u>	<u> </u>
	Total current tax	3,996	3,274
		<u> </u>	<u> </u>
	Factors affecting the tax charge for the period		
	Profit on ordinary activities before taxation	3,210	3,150
		<u> </u>	<u> </u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 22.22% (2013: 23.62%)	713	744
		<u> </u>	<u> </u>
	Effects of		
	Non deductible expenses	1	-
	Adjustments to previous periods	465	-
	Other tax adjustments	2,817	2,530
		<u> </u>	<u> </u>
		3,283	2,530
		<u> </u>	<u> </u>
	Current tax charge for the period	3,996	3,274
		<u> </u>	<u> </u>

Factors affecting current and future tax charge

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly.

SPIRIT MANAGED INNS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 53 WEEK PERIOD ENDED 23 AUGUST 2014

6	Debtors	2014 £000	2013 £000
	Amounts owed by group undertakings	12,897	12,815
	Loans owed by group undertakings	243,233	239,600
		<u>256,130</u>	<u>252,415</u>

Amounts falling due after more than one year and included in the debtors above are

	2014 £000	2013 £000
Amounts owed by group undertakings	12,815	12,815
Loans owed by group undertakings	243,233	239,600
	<u>256,048</u>	<u>252,415</u>

Included within loans due from group undertakings is a loan to a fellow group company, Spirit Group Holdings Limited of £62,098,000 (2013 £58,465,000) Interest accrues at 7% per annum on the original loan

Also included within loans due from group undertakings are non-interest bearing loans to fellow group companies, Spirit Intermediate Holdings Limited and Spirit Group Equity Limited, of £86,474,000 and £94,661,000 respectively (2013 £86,474,000 and £94,661,000 respectively)

Amounts owed by group undertakings represent non interest bearing funding balances

7	Creditors: amounts falling due within one year	2014 £000	2013 £000
	Amounts owed to group undertakings	13,391	9,315
	Accruals and deferred income	14	12
		<u>13,405</u>	<u>9,327</u>

SPIRIT MANAGED INNS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 53 WEEK PERIOD ENDED 23 AUGUST 2014

8 Creditors: amounts falling due after more than one year

	2014 £000	2013 £000
Loans owed to group undertakings	9,534	9,111
Amounts owed to group undertakings	50,145	50,145
	<u>59,679</u>	<u>59,256</u>

Included within loans owed to group undertakings is a loan from fellow group company, Spirit Faith Limited, of £9,534,000 (2013 £9,111,000) Interest accrues at 7% per annum on the original loan of £5,942,000 (2013 £5,942,000)

Amounts owed to group undertakings represent non interest bearing funding balances

9 Share capital

	2014 £000	2013 £000
Allotted, called up and fully paid		
150,000,002 Ordinary shares of £1 each	150,000	150,000
	<u>150,000</u>	<u>150,000</u>

10 Statement of movements on reserves

	Other reserves (see below) £000	Profit and loss account £000
Balance at 18 August 2013	53,600	(19,768)
Loss for the period	-	(786)
Balance at 23 August 2014	<u>53,600</u>	<u>(20,554)</u>
Other reserves		
Capital reserve		
Balance at 18 August 2013 and at 23 August 2014	<u>53,600</u>	

11 Reconciliation of movements in shareholders' funds

	2014 £000	2013 £000
Loss for the 53 week period	(786)	(124)
Opening shareholders' funds	183,832	183,956
Closing shareholders' funds	<u>183,046</u>	<u>183,832</u>

SPIRIT MANAGED INNS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 53 WEEK PERIOD ENDED 23 AUGUST 2014

12 Contingent liabilities

At 21 August 2010 a contingent asset of £18.9m existed in relation to the Spirit Pub Company plc group's outstanding gaming machine VAT claim. A decision was reached during 2010 in respect of The Rank Group plc's gaming claim, and this latest ruling fell in the taxpayer's favour. As a result, the group was able to further pursue its own gaming claim and during the year to 20 August 2011, the group's claim was repaid by HMRC. HMRC agreed to make the repayment of the existing claim, subject to the group providing a guarantee to HMRC that, in the event that the existing decision in The Rank Group plc is overturned in a higher court, the amount will be repayable in full. The decision in relation to The Rank Group plc's claim was referred to the Court of Justice of the European Union and at 20 August 2011 the group recognised the repayment amount as a provision, with £3,422,000 recognised by the company.

During November 2011, the Court of Justice of the European Union considered the Rank Group plc's gaming claim and found in favour of the taxpayer. As a result of this decision, the group recognised the £18.9m in exceptional items during the period to 18 August 2012, and the company released its provision of £3,422,000 to the profit and loss account in the period to 18 August 2012, and, the company had a contingent liability for £3,422,000 at 17 August 2013 and 18 August 2012.

On 30 October 2013 the Court of Appeal found in favour of HMRC in The Rank Group plc's gaming claim. As a result, in January 2014, HMRC issued letters to the group seeking repayment of amounts due (as outlined in 'Revenue & Customs Brief 01/14'). Accordingly, at 23 August 2014 the group has recognised a provision for the amount previously repaid to the group of £17.9m as well as statutory interest of £3.0m and default interest of £1.3m. The group received a £2.0m refund from a third party in respect of fees associated with the claim. At 23 August 2014, the cash has not been paid to HMRC as The Rank Group plc has been granted permission to appeal to the Supreme Court, with the hearing to be held on 20 April 2015. The provision has been recognised within the companies in the group that are expected to make the payment to HMRC.

Accordingly, there is no contingent liability in the company at 23 August 2014 as a provision is held for the liability within other companies in the group.

13 Employees

Number of employees

There were no employees during the 53 week period apart from the directors.

Directors' emoluments

The directors received no emoluments from the company in respect of their services in the current or preceding periods.

SPIRIT MANAGED INNS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 53 WEEK PERIOD ENDED 23 AUGUST 2014

14 Control

The company's immediate parent undertaking is Spirit Parent Limited, a company registered in England & Wales

The company's ultimate parent undertaking and controlling party is Spirit Pub Company plc, a company registered in England & Wales

The parent undertaking of the only group of undertakings for which group financial statements are drawn up and of which the company is a member is Spirit Pub Company plc

Copies of the financial statements of Spirit Pub Company plc are available from Sunrise House, Ninth Avenue, Burton upon Trent, DE14 3JZ

15 Post balance sheet events

At 23 August 2014, no obligation exists for dividends declared after that date

16 Related party relationships and transactions

The directors have taken advantage of the exemption in paragraph 3(c) of FRS 8 from disclosing transactions with related parties that are wholly owned subsidiaries of the Spirit Pub Company plc group