Registered number: 05699544

SPIRIT PUB COMPANY (LEASED) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the 52 weeks ended 1 January 2023

SPIRIT PUB COMPANY (LEASED) LIMITED

COMPANY INFORMATION

Directors	R Smothers M Starbuck W Shurvinton N Elliot A Bush N Mackenzie A Wilson M Sebastian C Preston A Malic (appointed 3 May 2022)
Company secretary	Mrs L A Keswick
Registered number	05699544
Registered office	Westgate Brewery Bury St Edmunds Suffolk IP33 1QT
Auditor	Deloitte LLP Statutory Auditor 1 New Street Square London EC4A 3HQ

SPIRIT PUB COMPANY (LEASED) LIMITED

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STRATEGIC REPORT
For the 52 weeks ended 1 January 2023

Introduction

The directors present their strategic report for the 52 weeks ended 1 January 2023.

Business review

The principal activity of the company is the operation of public houses, by leasing to independent publicans, and the associated wholesale supply of beer products.

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

On 24 February 2022, Russia invaded Ukraine, which resulted in significant wider economic consequences around the world. Inflation rose through the year, in particular utilities cost inflation was extremely high although the impact on the business was reduced due to our hedging strategy. Rising costs were not only felt within the business; consumer confidence was also suppressed in light of increases in the cost of living. High cost-inflation was seen across all areas of the business.

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

The company benefitted from a temporary reduction in VAT for the hospitality sector to 12.5%. This was in place at the start of the year and remained active until 31 March 2022. In the prior year VAT was at a reduced rate of 5% for the first nine months of the year before increasing to 12.5%.

In September 2022 the company fully repaid the remaining £79.9m Class A5 secured loan note at a clean price of 106% and terminated the corresponding A5 interest rate swap contract. These transactions were funded by a combination of disposals proceeds and a drawdown on the intercompany loan with Spirit Managed Funding Limited, a fellow group undertaking. The repayment of the final loan note resulted in the termination of the debenture and the release of the security over the charged assets and the Spirit debenture has now been fully extinguished. See note 17 for further details.

On 28 November 2022 the company sold the trade of 31 sites to fellow group undertaking Greene King Brewing and Retailing Limited that it previously leased from the same company for a total consideration of £19,014,000 and at the same time the leases were collapsed. This transaction gave rise to a gain on disposal of £871,000 and left the company with 176 sites in its estate.

Financial and non-financial key performance indicators

The key financial and other performance indicators during the period were as follows:

	52 weeks ended 1 January 2023 £000	52 weeks ended 2 January 2022 £000	Change %
Turnover (1)	**37,706**	26,040	44.8%
Adjusted operating profit (1,2)	**10,820**	4,492	140.9%
Operating profit (1)	**12,381**	12,639	-2.0%
Adjusted operating margin (1,3)	**28.7%**	17.3%	
Adjusted EBITDA (1,4)	**15,826**	8,901	77.8%
Outstanding bond issuance (5)	**-**	78,590	-100.0%
Number of pubs at period end	**176**	217	-18.9%

The KPIs have been selected to understand the underlying performance of the pubs owned and operated by the company. The KPIs are a mixture of statutory and non-statutory measures.

1. These KPIs have been materially impacted by COVID-19 in the prior period.
2. Adjusted operating profit is operating profit excluding adjusting items provided in note 11.
3. Adjusted operating margin is calculated as adjusted operating profit, as explained above, as a percentage of Turnover as given on the face of the statement of comprehensive income.
4. Adjusted EBITDA represents a loss of £156,712,000 before interest of £167,132,000, tax of £1,961,000, depreciation of £5,006,000, and adjusting item credits of £1,561,000.
5. In September 2022, the company fully repaid the remaining £79.9m Class A5 secured loan note. See note 17 for further details.

Existing KPIs have been measured on the same basis as in previous financial periods and there have been no changes to methodology of collection or manner of calculation, whether impacted by COVID-19 or otherwise.

Turnover for the current period was £37,706,000 compared to prior period turnover of £26,040,000 and adjusted operating profit was £10,820,000 compared to prior period adjusted operating profit of £4,492,000. As discussed in more detail in the section above in Business Review, the COVID-19 pandemic impacted the prior period at times and so comparability to prior period is limited. Operating profit of £12,381,000 was 2.0% worse than the prior period operating profit of £12,639,000. The company incurred adjusting item credits of £1,561,000 with £2,440,000 relating to net impairment reversals of tangible fixed assets and right-of-use assets; £3,249,000 relating to profit on disposal of tangible fixed assets; and £194,000 of credits relating to COVID-19 offset by £926,000 expense relating to revaluation of tangible fixed assets and a loss of £3,396,000 on settlement of financial liabilities (see note 11 for further details).

Principal risks and uncertainties

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

The management of safety risks within our pub estate remains a high priority.

The principal risks and uncertainties facing the business were largely similar in nature to those reported last year, with the evolution of one key risk from adopting the right strategy to executing it.

Formal risk management processes are in place across the Greene King Limited group to identify and evaluate risks, taking into account the likelihood of their occurrence and the scale of potential impact on the business.

The principal risks and uncertainties facing the company are broadly grouped as strategic risks, economic and market risks, financial risks, regulatory risks and operational and people risks. These risks are managed at a group level and details can be found in the Greene King Limited group accounts which are publicly available.

Credit risk

Financial assets include cash and cash equivalents, intercompany debtors, trade debtors and interest receivable. Credit risk is the risk of default by the counterparty to discharge their obligation and the maximum exposure of the company is the carrying amount of these instruments. The credit risk on cash and cash equivalents is limited by investment with banks and financial institutions with high credit ratings assigned by international credit agencies. The credit risk on amounts owed by group undertaking is limited as these consist of amounts receivable from other significant subsidiaries of Greene King Limited group. The policy for third party trading is that all customers who wish to trade on credit terms are subject to regular credit verification procedures. Receivable balances are also monitored on an ongoing basis and provided against where deemed necessary to limit the exposure to bad debts to a non-significant level.

Directors' statement of compliance with duty to promote the success of the company

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

The directors of the company have at all times during the year under review (and at all other times) acted in the way that they considered, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so had regard (amongst other matters) to:
- the likely consequences of any decision in the long term,
- the need to foster the company's business relationships with suppliers, customers and others,
- the impact of the company's operations on the community and the environment,
- the desirability of the company maintaining a reputation for high standards of business conduct, and
- the need to act fairly between members of the company.

Engaging with stakeholders

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

The company is a wholly owned subsidiary of the Greene King Limited group and therefore the company's key stakeholders are largely the same as those of Greene King Limited group and all decisions affecting the company are filtered down from group, based on the group-wide strategy. As the directors of the company are different from those of Greene King Limited group, they are kept informed of all decisions made at group-level, that will affect the company and its trading.

The Greene King Limited group's ("the group") key stakeholders are as follows:

Shareholders: The company is a wholly owned subsidiary of the CK Asset Holdings Limited ("CKA") group, a limited liability company incorporated in the Cayman Islands, registered in Hong Kong, and listed on the Main Board of the Hong Kong Stock Exchange. The Greene King Limited board ("the board") has continued to ensure that there is appropriate engagement by the company with CKA. Certain members of the board of CKA receive copies of the company's board meeting packs and are invited to attend and ask questions at the company's board meetings to ensure that there is direct contact between the two boards and that the company's parent is fully informed of the company's activities.

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

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

Debt holders: At the start of the year the company had a bond listed on the Luxembourg stock exchange. During the period, we operated in accordance with the agreements governing its operation, without the benefit of a waiver, and in September 2022 the board committee approved the redemption of the outstanding bond, paying all outstanding bondholders in full.

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

Case studies

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

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

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

For 2023, the strategic plan was updated and refreshed and the budget was set with a view to:
- ensuring that the group delivers positive cashflow;
- demonstrating EBIT progression, excluding the effect of utilities;
- ensuring investments generate returns and deliver long term foundational platforms to support future growth: and
- being focussed on delivering fewer projects but landing them consistently and sustainably.

There will be a greater focus on operational excellence and leveraging digital during the course of 2023.

The 2023 budget was approved by the board committee in November 2022.

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

• More than 2,000 managers took part in an intensive leadership development programme, to build the skills and capabilities to embed the cultural change programme.

• We ran a high performing teams programme for our leadership team to equip them with additional skills to ensure they get the best out of their teams.

• Continuing the drive to improve diversity and inclusion across the business.

• The consistent use of the "Dartboard" balanced scorecard to measure and assess performance against strategy in a more rounded way.

• The implementation of a new performance management and talent process which started at the beginning of 2022.

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

R Smothers
Director
Date: 24 April 2023

DIRECTORS' REPORT
For the 52 weeks ended 1 January 2023

The directors present their report and the financial statements for the 52 weeks ended 1 January 2023.

Results and dividends

The loss for the 52 weeks, after taxation, amounted to £156,712,000 (prior period: loss £147,433,000).

No dividends were paid or proposed during the period (prior period: £nil).

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 approval of the financial statements.

The directors of Greene King Limited have performed a going concern assessment of the Greene King Limited group. In doing so, they have modelled a remote scenario whereby the group generates just over half of its budgeted EBITDA but continues with budgeted capex for a 12 month period. Under this scenario the group has access to adequate funding to support the business through a period of at least 12 months from the date of the approval of the financial statements. However, in the absence of any support this reduction in trade would likely result in breaches of both the two-quarter and four-quarter lookback FCF DSCR covenants within its securitised borrowings without mitigation actions. In this scenario the directors could elect to prevent the breach by providing financial support to the Greene King securitisation through lower operating cost re-charges from other group companies. The directors of Greene King Limited have a reasonable expectation that the group has sufficient resources to continue in operational existence for the period of at least 12 months from the date of approval of these financial statements.

The directors of the company have made enquiries of the directors of Greene King Limited to confirm that they are satisfied 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 the report were:

R Smothers
M Starbuck
W Shurvinton
N Elliot
A Bush
N Mackenzie
P Kerrigan (resigned 31 March 2022)
K Bosher (resigned 23 December 2022)
A Wilson
M Sebastian
C Preston
A Malic (appointed 3 May 2022)

None of the directors held any interest in the share capital of the company during the period.

Future developments

The company intends to continue operating public houses, by leasing to independent publicans, and the associated wholesale supply of beer products for the foreseeable future.

The board of Greene King Limited group will continue to support the business as it recovers from this difficult trading period.

DIRECTORS' REPORT (CONTINUED)
For the 52 weeks ended 1 January 2023

Directors' and officers' indemnity insurance

Greene King Limited group ("the group") has taken out insurance to indemnify the directors of the company against third party proceedings whilst serving on the board of the company and of any subsidiary. This cover indemnifies all 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.

Matters covered in the Strategic report

The company has chosen in accordance with section 414C(11) of the Companies Act 2006 to include matters of strategic importance in the strategic report which otherwise would be required to be dislocsed in the directors' report: Section 172 statement, principal risks and financial risk management.

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.

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

R Smothers
Director
Date: 24 April 2023

DIRECTORS' RESPONSIBILITIES STATEMENT
For the 52 weeks ended 1 January 2023

The directors are responsible for preparing the Strategic report, 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 directors have 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 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 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 PUB COMPANY (LEASED) LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion, the financial statements of Spirit Pub Company (Leased) Limited (the 'company'):

- give a true and fair view of the company's affairs as at 1 January 2023 and of its loss for the 52 weeks then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accouning 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 25.

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.

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. 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, internal audit and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

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.

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

In regard to the revaluation of freehold tangible fixed assets, we performed an assessment of the external valuations with assistance from our real estate specialists, we tested that management's revaluation calculations were consistent with the external valuations, and we tested that any movements in valuation were appropriately recognised in the revaluation reserve or profit and loss account.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPIRIT PUB COMPANY (LEASED) LIMITED

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions on other matters prescribed by the Companies Act 2006

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

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

In the light of the knowledge and understanding of the 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.

We have nothing to report in respect of these matters.

Use of our report

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

Tim Steel

Timothy Steel (Senior statutory auditor)

for and on behalf of
Deloitte LLP, Statutory Auditor
London, UK

Date: 24 April 2023

STATEMENT OF COMPREHENSIVE INCOME
For the 52 weeks ended 1 January 2023

	Note	52 weeks ended 1 January 2023 £000	52 weeks ended 2 January 2022 £000
Turnover	4	**37,706**	26,040
Cost of sales		**(14,708)**	(10,793)
Gross profit		**22,998**	15,247
Administrative expenses		**(12,178)**	(10,755)
Adjusting items	11	**1,561**	8,147
Operating profit	5	**12,381**	12,639
Interest receivable and similar income	8	**3,646**	1,039
Interest payable and similar expenses	9	**(170,778)**	(157,313)
Loss before tax		**(154,751)**	(143,635)
Taxation	10	**(1,961)**	(3,798)
Loss for the period		**(156,712)**	(147,433)
Other comprehensive income/(expense):			
Items that will not be reclassified to profit or loss:			
Losses on revaluation of land and buildings		**(932)**	(775)
Tax effect on revaluation of land and buildings		**1,314**	(665)
		382	(1,440)
Total comprehensive expense for the period		**(156,330)**	(148,873)

The notes on pages 15 to 41 form part of these financial statements.

SPIRIT PUB COMPANY (LEASED) LIMITED
Registered number:05699544

BALANCE SHEET
As at 1 January 2023

	Note	1 January 2023 £000	2 January 2022 £000
Fixed assets			
Tangible fixed assets	12	**140,890**	188,022
Current assets			
Debtors	13	**93,238**	108,717
Cash at bank	14	**535**	9,224
		93,773	117,941
Current liabilities			
Creditors: amounts falling due within one year	15	**(31,487)**	(116,705)
Net current assets		**62,286**	1,236
Total assets less current liabilities		**203,176**	189,258
Creditors: amounts falling due after more than one year	16	**(1,837,211)**	(1,667,714)
		(1,634,035)	(1,478,456)
Provisions for liabilities			
Deferred taxation	18	**(13,372)**	(12,561)
Other provisions	20	**(140)**	(200)
		(13,512)	(12,761)
Net liabilities		**(1,647,547)**	(1,491,217)
Capital and reserves			
Called up share capital	21	**-**	-
Revaluation reserve	22	**12,154**	11,869
Other reserves	22	**61,290**	61,290
Profit and loss account	22	**(1,720,991)**	(1,564,376)
Equity		**(1,647,547)**	(1,491,217)

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

R Smothers
Director
Date: 24 April 2023

The notes on pages 15 to 41 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the 52 weeks ended 1 January 2023

	Called up share capital	Revaluation reserve	Other reserves	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 4 January 2021	-	14,148	61,290	(1,417,782)	(1,342,344)
Loss for the period	-	-	-	(147,433)	(147,433)
Revaluation of land and buildings	-	(775)	-	-	(775)
Tax effect on revaluation of land and buildings	-	(665)	-	-	(665)
Transfer to/from profit and loss account	-	(839)	-	839	-
At 3 January 2022	-	11,869	61,290	(1,564,376)	(1,491,217)
Loss for the period	-	-	-	(156,712)	(156,712)
Revaluation of land and buildings	-	(932)	-	-	(932)
Tax effect on revaluation of land and buildings	-	1,314	-	-	1,314
Transfer to/from profit and loss account	-	(97)	-	97	-
At 1 January 2023	-	12,154	61,290	(1,720,991)	(1,647,547)

The notes on pages 15 to 41 form part of these financial statements.

1. GENERAL INFORMATION

Spirit Pub Company (Leased) 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, as modified by the revaluation of tangible fixed assets and derivative financial instruments that have been measured at fair value 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).

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 paragraph 33(c) of IFRS 5 Non Current Assets Held For Sale and Discontinued Operations
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details in indebtedness relating to amounts payable after 5 years required by company law is presented separately for lease liabilities and other liabilities, and in total
- 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;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- 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
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36

2. ACCOUNTING POLICIES (CONTINUED)

2.2 Financial reporting standard 101 - reduced disclosure exemptions (continued)

Impairment of Assets.

This information is included in the consolidated financial statements of Greene King Limited as at 1 January 2023 and these financial statements may be obtained from Westgate Brewery, Bury St Edmunds, Suffolk, IP33 1QT.

2.3 Impact of new International Reporting Standards, amendments and interpretations

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

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

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

2.4 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 approval of the financial statements.

The directors of Greene King Limited have performed a going concern assessment of the Greene King Limited group. In doing so, they have modelled a remote scenario whereby the group generates just over half of its budgeted EBITDA but continues with budgeted capex for a 12 month period. Under this scenario the group has access to adequate funding to support the business through a period of at least 12 months from the date of the approval of the financial statements. However, in the absence of any support this reduction in trade would likely result in breaches of both the two-quarter and four-quarter lookback FCF DSCR covenants within its securitised borrowings without mitigation actions. In this scenario the directors could elect to prevent the breach by providing financial support to the Greene King securitisation through lower operating cost re-charges from other group companies. The directors of Greene King Limited have a reasonable expectation that the group has sufficient resources to continue in operational existence for the period of at least 12 months from the date of approval of these financial statements.

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

2.5 Tangible fixed assets

Freehold land and buildings held as tangible fixed assets are recognised initially at cost less accumulated depreciation and are subject to periodic revaluations (see note 2.6).

Other tangible fixed assets which include right of use assets (see note 2.13), are held at cost less impairment..

2. ACCOUNTING POLICIES (CONTINUED)

2.5 Tangible fixed assets (continued)

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following bases:

Freehold property	- depreciated to their estimated residual values over periods of up to fifty years
Long-term leasehold property	- depreciated to their estimated residual values over periods of up to fifty years
Short-term leasehold property	- depreciated to their estimated residual values over the remaining lease term.
Fixtures and fittings	- depreciated over their estimated useful lives which range from three to twenty years

Where the carrying value of properties may not be recoverable an impairment in the value of tangible fixed assets is charged to the profit and loss account.

Residual value is reviewed at least at each financial year end and there is no depreciable amount if residual value is the same as, or exceeds, book value.

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

An item of tangilbe fixed assets is de-recognised upon disposal or when no future economic benefits are expected from its use. Profit or loss on de-recognition is calculated as the difference between the net disposal proceeds and the carrying amount of the asset, and is included in the income statement in the year of de-recognition.

2.6 Revaluation of freehold tangible fixed assets

Freehold land and buildings held as tangible fixed assets are recognised initially at cost and thereafter carried at fair value less depreciation. Fair value is based on periodic valuations of the entire estate by an external independent valuer and is determined from market-based evidence with at least 20% of properties in the estate selected for a site visit each year to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is recorded in OCI and credited to the revaluation reserve in equity except to the extent that it reverses a decrease in the carrying value of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent of any existing surplus in respect of that asset in the revaluation reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal any revaluation reserve relating to the particular asset being sold is transferred to the profit and loss account.

2. ACCOUNTING POLICIES (CONTINUED)

2.7 Impairment

Leasehold tangible fixed assets held under the historic cost model and right-of-use assets are subject to impairment.

Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash inflows independent of the cash inflows of other groups of assets.

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

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

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

Details of the impairment losses recognised in respect of tangible fixed assets and right-of-use assets are provided in note 12.

2.8 Fixed assets held for sale

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

2.9 Trade debtors

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

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

2.10 Trade creditors

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

2. ACCOUNTING POLICIES (CONTINUED)

2.11 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.

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).

2.12 Derivative financial instruments

The company uses interest rate swaps to hedge its exposure to interest rate fluctuations on its variable secured loan notes. The swap has been deemed an ineffective hedge and therefore does not qualify for hedge accounting, with movements in its fair value being recognised in the income statement.

Interest rate swaps are initially measured at fair value, if any, and carried on the balance sheet as an asset or liability. Subsequent measurement is at fair value and the movement is recognised in profit and loss unless hedge accounting is adopted. Cash payments or receipts made are recognised in interest payable on secured loan notes so as to show the cash fixed rate on the secured loan notes, with the remaining fair value movement (which is generally the change in the carrying amount of the swaps) presented separately.

The consolidated financial statements of Greene King Limited contain financial instrument disclosures which comply with IFRS 7 'Financial Instruments: Disclosures'. Consequently, the company has taken advantage of the exemption in IFRS 7 not to present separate financial instrument disclosures for the company.

2.13 Leases

The company as a lessee

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

- the contract contains an identified asset, which is either explicitly identified in the contact or implicitly specified by being identified at the time the asset is made available to the company
- the company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the company has the right to direct the use of the identified asset throughout the period of use. The company assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

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

2. ACCOUNTING POLICIES (CONTINUED)

2.13 Leases (continued)

unless the lease is expected to transfer ownership of the underlying asset to the company in which case the asset is depreciated to the end of the useful life of the asset.

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

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

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

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

The company as a lessor

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

2.14 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the profit and loss account in the year that the company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

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

2. ACCOUNTING POLICIES (CONTINUED)

2.15 Turnover

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

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

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

Rental income
The company recognised rental income other than variable rent on a straight line basis over the term of the lease, as the performance obligation is satisfied over time, based on the contractual terms of the lease agreement.

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

2.16 Interest

Interest income is recognised in profit or loss using the effective interest method.

2.17 Cash at bank

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

2.18 Secured loan notes

Secured loan notes issued to Spirit Issuer plc, a fellow Greene King Limited group undertaking are initially recognised at fair value, plus transaction costs. After initial recognition, secured loan notes are measured at amortised cost using the effective interest method.

2.19 Loans and borrowings

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

2. ACCOUNTING POLICIES (CONTINUED)

2.20 Current and deferred taxation

The tax expense for the 52 weeks comprises current and deferred tax. 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.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.21 Adjusting items

Adjusting items are classified as those which are separately identifiable by virtue of their size, nature or expected frequency and therefore warrant separate presentation or allow a better understanding of the underlying performance of the business.

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

- Impairment charges/reversals in respect of tangible fixed assets;
- Profit or loss on the disposal of tangible fixed assets, where the company disposes of properties that it no longer considers meet the ongoing needs of the business. These profits or losses could be significant and volatile and are not reflective of the company's ongoing trading results;
- Insurance compensation received to meet the costs of restoring sites damaged by fire and flood. Such compensation may be receivable over a lengthy time period and be of a large total amount;
- One-off costs relating to the outbreak of a pandemic, to include the increase in the expected credit loss of trade debtors, and other costs directly attributable to either the closure of pubs during the outbreak period or preparing the sites for reopening;
- finance costs or income resulting from gains or losses upon the settlement of interest rate swap and bond liabilities where the swaps have been terminated. These amounts may be significant and are separately identified as the instruments they relate to would no longer form part of the company's ongoing capital structure;

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:

Adjusting items
Management uses a range of measures to monitor and assess the company's financial performance. These measures include statutory measures calculated in accordance with IFRS but are adjusted to exclude items that management considers would prevent comparison of the company's performance from one reporting period to another.

The classification of items excluded from profit before adjusting items requires judgment including consideration of the nature, circumstances, scale and impact of the transaction.

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:

Impairment of tangible fixed assets and right-of-use assets
IFRS requires management to perform impairment tests annually, if events or changes in circumstances indicate that their carrying amounts may not be recoverable.

Impairment testing requires management to judge whether the carrying value of assets can be supported by the net present value of future cash flows that they generate. Calculating the net present value of the future cash flows requires estimates to be made in respect of short-term and long-term growth rates, and the adoption of a suitable discount rate. Short-term growth rates are based on the Greene King Limited group's board approved strategic plan. The long-term growth rate is based on expected industry returns which is slightly below the forecast long-term UK inflation rate. The discount rate is based on the Greene King Limited group's WACC.

Changes to the long-term growth rate or discount rate used, could significantly affect the company's impairment charge (and reversal) recognised in the income statement and the overall value of assets held at the balance sheet date. Management has provided analysis of the sensitivity to these key assumptions in note 12.

The cashflows used in the impairment exercise have been aligned to the Greene King Limited group's 5-year strategic plan. Further details are provided in note 12.

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

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

3. JUDGMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

Property valuations
The company carries its freehold property portfolio at open market valuation. The valuations, which are supported by market evidence and a rolling five-year programme of site visits by independent property surveyors, are prepared with regard to factors such as current and future projected income levels taking account of the location, quality of the pub, and recent market transactions in the sector. Changes in these assumptions such as the valuation basis applied in comparable market transactions, or the income level generated by a pub, could materially impact the valuation of these properties. The carrying value of the tangible fixed assets held under the revaluation model is disclosed in note 12.

Recognition of deferred tax assets and liabilities
The company has exercised significant accounting estimation and judgment in the recognition of deferred tax assets in respect of tangible fixed assets. Significant accounting estimates and judgments include those used to determine the amount of net book value of tangible fixed assets to which the initial recognition exemption applies, the tax effect of the changes to tenure and the unrecognised deferred tax liabilities on the inherent loss where tax losses are expected to be utilised against future profits and gains.

Determination of the Incremental Borrowing Rate - company as a Lessee
IFRS 16 requires lease liabilities to be discounted at the interest rate implicit in the lease, however if this cannot be readily determined, the lessee shall use the lessee's Incremental Borrowing Rate (IBR). As management have elected for the modified retrospective approach, the IBR is required to be calculated at the date of initial application of IFRS 16 rather than at each lease commencement date. Management have also elected to view the assets within portfolios for the calculation of IBR rather than applying this to every lease.

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

4. TURNOVER

An analysis of turnover by class of business is as follows:

	52 weeks ended 1 January 2023 £000	52 weeks ended 2 January 2022 £000
Drink revenue	**26,302**	18,562
Other revenue	**11,404**	7,478
	37,706	26,040

All turnover arose within the United Kingdom.

Other revenue includes rental and machine income. Other revenue includes rent receivable from licenced properties of £10,586,000 (prior period: £6,922,000).

5. OPERATING PROFIT

The operating profit is stated after charging:

	52 weeks ended 1 January 2023 £000	52 weeks ended 2 January 2022 £000
Depreciation of tangible fixed assets	**2,063**	1,281
Depreciation of right-of-use assets	**2,943**	3,128
Net impairment reversal on tangible fixed assets	**(2,440)**	(4,700)
Revaluation of tangible fixed assets	**926**	(618)
Profit on disposal of tangible fixed assets and leases	**(3,249)**	(2,013)
Net impairment (reversal)/losses on financial assets	**(103)**	76
Expenses relating to short-term leases and low-value assets	**137**	126

6. STAFF COSTS

The company has no employees as all staff that are utilised in the operation of the company are employed by Greene King Retail Services Limited and Greene King Services Limited. Staff costs are included in the total overhead recharge paid by the company to Spirit Pub Company (Services) Limited with the proportion relating to staff costs not being separately identifiable.

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 £10,700,000 (prior period: £5,179,000) paid by other companies in the Greene King Limited group. 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 in a fellow group company during the period was nil (prior period: nil).

7. AUDITOR'S REMUNERATION

The auditor's remuneration in respect of the audit of the financial statements for the period of £76,000 (prior period: £19,000) 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.

8. INTEREST RECEIVABLE AND SIMILAR INCOME

	52 weeks ended 1 January 2023 £000	52 weeks ended 2 January 2022 £000
Other interest receivable	**75**	-
Movement in fair value of interest rate swaps payable to Spirit Issuer plc	**3,571**	1,039
	3,646	1,039

9. INTEREST PAYABLE AND SIMILAR EXPENSES

	52 weeks ended 1 January 2023 £000	52 weeks ended 2 January 2022 £000
Interest payable on secured loan notes owed to Spirit Issuer plc	**3,189**	4,490
Interest on lease liabilities	**4,408**	4,948
Loan interest payable to group undertakings	**163,181**	147,875
	170,778	157,313

10. TAXATION

	52 weeks ended 1 January 2023 £000	52 weeks ended 2 January 2022 £000
Corporation tax		
Current tax on profits for the year	-	220
Adjustments in respect of previous periods	(164)	(375)
Total current tax	(164)	(155)
Deferred tax		
Origination and reversal of timing differences	899	473
Changes to tax rates	336	3,014
Adjustments in respect of prior periods	890	466
Total deferred tax	2,125	3,953
Taxation on loss on ordinary activities	1,961	3,798

10. TAXATION (CONTINUED)

FACTORS AFFECTING TAXATION FOR THE PERIOD

The tax assessed for the period is higher than (2022:higher than) the standard rate of corporation tax in the UK of 19.0% (2022:19.0%). The differences are explained below:

	52 weeks ended 1 January 2023 £000	52 weeks ended 2 January 2022 £000
Loss on ordinary activities before tax	**(154,751)**	(143,635)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.0% (2022:19.0%)	**(29,403)**	(27,291)
Effects of:		
(Income)/expenses not deductible for tax purposes	**(21)**	17
Capital allowances	**(10)**	(14)
Adjustments to tax charge in respect of prior periods	**726**	91
Group relief for nil consideration	**(4,472)**	-
Transfer pricing adjustments	**30,675**	29,022
Movement in deferred tax asset not recognised	**-**	(493)
Deferred tax in respect of licenced estate	**4,130**	(548)
Effects of tax rates and laws	**336**	3,014
Total tax charge for the period	**1,961**	3,798

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 main rate of corporation tax from 1 April 2023. The net deferred tax liability has been calculated using the rates at which each temporary difference is expected to reverse.

11. ADJUSTING ITEMS

	52 weeks ended 1 January 2023 £000	52 weeks ended 2 January 2022 £000
Revaluation of tangible fixed assets	**926**	(618)
Net impairment reversal of tangible fixed assets	**(2,440)**	(4,700)
Profit on disposal of tangible fixed assets	**(3,249)**	(2,013)
COVID-19 related credit	**(194)**	(816)
Settlement of financial liabilities	**3,396**	-
	(1,561)	(8,147)

During the period the company recognised downward revaluation adjustments on freehold land and buildings held as tangible fixed assets of £926,000 (prior period: upward adjustments £618,000).

The net impairment reversal on leased tangible fixed assets and right-of-use assets of £2,440,000 (prior period: reversal of £4,700,000) comprises of impairment charges of £nil (prior period: £131,000) and reversals of £2,440,000 (prior period: £4,831,000).

The profit on disposal of fixed assets of £3,249,000 (prior period: profit of £2,013,000) comprises a total profit on disposal of £10,161,000 (prior period: £2,363,000) and a total loss on disposal of £6,912,000 (prior period: £350,000). £871,000 of the profit on disposal in the current period is in relation to the disposal of the trade of 31 sites to fellow group undertaking Greene King Brewing and Retailing Limited that it previously leased from the same company and the resultant collapse of the leases.

A credit of £194,000 (prior period: credit of £816,000) has been incurred as a result of the COVID-19 pandemic. The credit comprises a credit of £4,000 (prior period: £143,000) relating to lease concessions (net of fees) from landlords that qualified under the COVID-19 Related Rent Concessions - Amendment to IFRS 16; and a credit of £190,000 (prior period: £673,000) to decrease provisions required for trade debtors.

The loss of £3,396,000 on settlement of financial liabilities relates to losses on the early repayment of the A5 secured loan note and the termination of the corresponding interest rate swap contract, being the difference between the carrying value of the loan note and the settlement amount paid. Further details are given in note 17.

12. TANGIBLE FIXED ASSETS

	Land and buildings £000	Fixtures and fittings £000	Total £000
Cost or valuation			
At 3 January 2022	190,747	12,716	203,463
Additions	4,971	2,786	7,757
Disposals	(55,506)	(4,273)	(59,779)
Revaluations	(2,268)	-	(2,268)
At 1 January 2023	137,944	11,229	149,173
Depreciation			
At 3 January 2022	12,131	3,310	15,441
Charge for the 52 weeks on owned assets	447	1,616	2,063
Charge for the 52 weeks on right-of-use assets	2,943	-	2,943
Disposals	(7,988)	(1,326)	(9,314)
Impairment losses written back	(1,740)	(700)	(2,440)
On revalued assets	(410)	-	(410)
At 1 January 2023	5,383	2,900	8,283
Net book value			
At 1 January 2023	132,561	8,329	140,890
At 2 January 2022	178,616	9,406	188,022

The net book value of owned and leased assets included as "Tangible fixed assets" in the Balance sheet is as follows:

	1 January 2023 £000	2 January 2022 £000
Tangible fixed assets owned	128,175	137,240
Right-of-use tangible fixed assets	12,714	50,782
	140,889	188,022

12. TANGIBLE FIXED ASSETS (CONTINUED)

Information about right-of-use assets is summarised below:

Net book value

	1 January 2023 £000	2 January 2022 £000
Property	**12,714**	50,782

Depreciation charge

	1 January 2023 £000	2 January 2022 £000
Property	**2,943**	3,128

Additions to right-of-use assets

	1 January 2023 £000	2 January 2022 £000
Additions to right-of-use assets (inc remeasurements)	**2,475**	553

The net book value of land and buildings may be further analysed as follows:

	1 January 2023 £000	As restated 2 January 2022 £000
Freehold property	**109,044**	114,287
Long leasehold property	**5,134**	3,289
Short leasehold property	**18,383**	61,040
	132,561	178,616

The prior period comparatives have been restated as a certain number of sites were inadvertently included within long leasehold property when in fact they were freehold property. Long leasehold property was overstated by £1,505,000 and freehold property was understated by the same amount.

12. TANGIBLE FIXED ASSETS (continued)

On 28 November 2022 the company sold the trade of 31 sites to fellow group undertaking Greene King Brewing and Retailing Limited that it previously leased from the same company for a total consideration of £19,014,000 and at the same time the leases were collapsed. This transaction gave rise to a gain on disposal of £871,000 and left the company with 176 sites in its estate.

The entire estate is leased to tenants under operating leases with none used by the company.

Revaluation of freehold tangible fixed assets
The valuation at the balance sheet date was performed in accordance with market practice by Colliers International, independent chartered surveyors, acting as external valuers.

The entire estate was valued in December 2022 with trading properties selected for a desk top review or site visit on a five-year rolling basis, with at least 20% of properties in the estate selected for a site visit each year.

These valuations have been incorporated into the financial statements and the resulting revaluation adjustments on freehold land and buildings held as tangible fixed assets have been taken to the revaluation reserve or income statement as appropriate.

The sample of properties was valued at market value, in accordance with the provisions of Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Standards ('The Red Book') assuming each asset is sold as part of the continuing enterprise in occupation individually as a fully operational trading entity.

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

The valuation considers assumptions such as current and future projected income levels, which take account the location and quality of the pub. In addition recent market transactions in the sector and potential alternative use values have been considered.

At the balance sheet date, the properties that were revalued resulted in an decrease in net assets of £1,858,000, representing a 1.5% decrease (prior period: £157,000 decrease representing a 0.1% decrease) on those properties.

The historic cost of all tangible fixed assets had revaluation not been applied would have been £113,336,000 (prior period: £121,348,000).

12. TANGIBLE FIXED ASSETS (continued)

Impairment of leasehold tangible fixed assets
During the period £2,369,000 of net impairment reversals (prior period: reversal £4,831,000) on leasehold tangible fixed assets were recognised in profit and loss as adjusting items.

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

The company estimates value in use using a discounted cash flow model. The key assumptions used are expected cash flow projection, the discount rate applied to those cash flows of 7.6% (2022: 6.8%) and the long-term growth rate of 1.8% (prior period: 1.8%) which is below the long-term UK inflation rate and reflects anticipated future trends in trading performance.

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

The entire estate was subject to an external valuation in December 2022 and estimates of fair value less costs of disposal are based on this valuation. The valuation considers assumptions such as current and future projected income levels. which take account of the location and quality of the pub. In addition recent market transactions in the sector and potential alternative use values have been considered.

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

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

	1 January 2023 £000	2 January 2022 £000
Increased impairment resulting from a 10% reduction in fair value less cost of disposal	-	(171)
Increased impairment resulting from a 0.5% increase in discount rate	**101**	-
Increased impairment resulting from a 25% reduction in growth rate	**60**	-
Increased impairment resulting from a 5% reduction in cash flows	**127**	-

Impairment of right-of-use assets
During the period £71,000 of net impairment reversals (prior period: charges of £131,000) were recognised in profit and loss as adjusting items.

The impairment of right-of-use assets is based on the same assumptions and valuation techniques as the impairment of leasehold tangible fixed assets. Further details can be found in the impairment of leasehold tangible fixed assets section above.

12. TANGIBLE FIXED ASSETS (continued)

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

	1 January 2023 £000	2 January 2022 £000
Increased impairment resulting from a 10% reduction in fair value less cost of disposal	**-**	-
Increased impairment resulting from a 0.5% increase in discount rate	**16**	10
Increased impairment resulting from a 25% reduction in growth rate	**10**	9
Increased impairment resulting from a 5% reduction in cash flows	**16**	-

13. DEBTORS: Amounts falling due within one year

	1 January 2023 £000	2 January 2022 £000
Trade debtors	**953**	3,851
Amounts owed by group undertakings	**91,531**	101,218
Other debtors	**651**	918
Prepayments and accrued income	**103**	106
Corporation tax recoverable	**-**	2,624
	93,238	108,717

The company has recognised a reduction in bad debt provisions of trade debtors of £190,000 (prior period: £673,000) as a result of COVID-19 pandemic.

Other debtors are non-interest bearing and includes amounts owed by tenants and VAT recoverable in the prior period.

Amounts owed by group undertakings are unsecured, bear no interest, have no fixed date of repayment and are repayable on demand. Expected credit losses of £320,000 (prior period: £423,000) have been recognised against the carrying value.

14. CASH AT BANK

	1 January 2023 £000	2 January 2022 £000
Cash at bank	**535**	9,224

15. CREDITORS: Amounts falling due within one year

	1 January 2023 £000	2 January 2022 £000
Amounts owed to group undertakings	**27,907**	23,540
Corporation tax	**(2,789)**	-
Other taxation	**4,355**	1,227
Lease liabilities	**838**	8,155
Other creditors	**-**	17
Accruals and deferred income	**1,176**	3,839
Secured loan notes owed to Spirit Issuer plc	**-**	79,927
	31,487	116,705

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

Further details of lease liabilities can be found in note 19.

In September 2022 the company fully repaid the remaining £79.9m Class A5 secured loan note at a clean price of 106%. The transaction was funded by a combination of disposals proceeds and a drawdown on the intercompany loan with Spirit Managed Funding Limited, a fellow group undertaking. See note 17 for further details.

16. CREDITORS: Amounts falling due after more than one year

	1 January 2023 £000	2 January 2022 £000
Lease liabilities	**14,962**	75,561
Loans owed to group undertakings	**1,822,249**	1,586,303
Derivative financial instruments owed to Spirit Issuer plc	**-**	5,850
	1,837,211	1,667,714

Further details of lease liabilities can be found in note 19.

Loans owed to group undertakings due in more than one year of £1,822,249,000 (prior period: £1,586,303,000) comprises seven individual loans.

The company has a loan from Spirit Managed Funding Limited of £361,687,000 (prior period: £363,923,000) and accrued loan interest of £1,165,359,000 calculated using the effective interest rate method (prior period: £1,019,719,000). Interest on the loan balance accrues at a rate of 16% per annum and interest accrues on unpaid loan interest at a rate of 15.01% per annum. The total amount of accrued loan interest per the contract terms outstanding at the balance sheet date is £1,859,089,000 (prior period: £1,670,835,000). Repayment of the loan is due in 2034.

The company also has a further three, interest free, loans from Spirit Pub Company (Managed) Limited, Spirit (SGL) Limited and Spirit Group Retail Limited. The carrying value of these loans, after applying the effective interest rate method are £12,085,000, £3,295,000 and £244,000 respectively (prior period: £10,742,000, £2,929,000 and £217,000 respectively). Repayment of these loans is due in 2034. At that time the amounts repayable will be £49,520,000, £13,500,000 and £1,000,000 respectively (prior period: £49,520,000, £13,500,000 and £1,000,000 respectively).

The company has a further two loans from Spirit Managed Funding Limited and one loan from Spirit Pub Company (Managed) Limited of £6,283,000, £79,950,000 and £133,196,000 respectively (prior period: £6,283,000, £2,950,000 and £133,196,000 respectively) and accrued loan interest of £3,029,000, £2,123,000 and £56,998,000 respectively (prior period: £2,372,000, £360,000 and £43,612,000 respectively). Interest accrues at 16% per annum. The total amount of accrued loan interest per the contract terms outstanding at the balance sheet date is £5,465,000, £4,208,000 and £92,654,000 respectively (prior period: £4,449,000, £698,000 and £71,104,000 respectively). Repayment of these loans due in 2036.

Derivative financial instruments were owed to Spirit Issuer plc. In September 2022 the company terminated the interest rate swap contract relating to the Class A5 secured loan note when it fully repaid that loan note. See note 17 for further details.

17. FINANCIAL INSTRUMENTS AND SECURED LOAN CAPITAL

	1 January 2023 £000	2 January 2022 £000
Secured loan notes maturity analysis		
In less than one year	-	78,590
Impact of effective interest rate method	-	1,337
	-	79,927
Included in creditors: amounts falling due within one year	-	79,927

Secured loan notes owed to group undertakings represented amounts owed to Spirit Issuer plc, a fellow group undertaking. In September 2022 the company fully repaid the remaining £79.9m Class A5 secured loan note at a clean price of 106%. The transaction was funded by a combination of disposals proceeds and a drawdown on the intercompany loan with Spirit Managed Funding Limited, a fellow group undertaking.

IBOR reform

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

18. DEFERRED TAXATION

	1 January 2023 £000	2 January 2022 £000
At beginning of year	**(12,561)**	(7,943)
Charged to profit or loss	**(2,125)**	(3,953)
Charged to other comprehensive income	**1,314**	(665)
At end of year	**(13,372)**	(12,561)

The provision for deferred taxation is made up as follows:

	1 January 2023 £000	2 January 2022 £000
Fixed assets	**(1,678)**	(2,226)
Intercompany loans	**(12,151)**	(12,533)
Interest rate swaps	**-**	1,438
Secured loan notes	**501**	717
Provisions	**(44)**	43
	(13,372)	(12,561)

At the balance sheet date the company has a deferred tax asset in relation to the licensed estate of £3,684,000 (prior period: £3,404,000) which is unrecognised. This asset cannot be offset against other deferred tax liabilities.

19. LEASES

Company as a lessee

The company has lease contracts for property used in its operations. Rental contracts are on average for a lease term of 28 years. The company's obligations under its leases are secured by the lessor's title to the lease assets. Generally, the company is restricted from assigning and subleasing the leased assets and some contracts require the company maintain certain financial ratios. The company has no lease contracts that include extension or termination options and variable lease payments.

The total cash outflow for leases in the current period was £10,881,000 (prior period: £1,320,000).

Lease liabilities are due as follows:

	1 January 2023 £000	2 Janaury 2022 £000
Due within one year	**838**	8,155
Due more than one year	**14,962**	75,561
	15,800	83,716

The following amounts in respect of leases, where the company is a lessee, have been recognised in profit or loss:

	52 weeks ended 1 January 2023 £000	52 weeks ended 2 January 2022 £000
Interest expense on lease liabilities	**4,408**	4,948
Expenses relating to short-term leases and low-value assets	**137**	126
Income from sub-leasing right-of-use assets	**(2,463)**	(2,546)
COVID-19-related rent concessions	**(4)**	(143)

Rent concessions

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

In the prior period the company provided rent concessions as a result of the COVID-19 pandemic for their tenants totalling £3,615,000.

20. OTHER PROVISIONS

	Dilapidation provision £000
At 3 January 2022	200
Released to profit or loss	(60)
At 1 January 2023	**140**

The provision has been set up to cover dilapidation requirements of property leases.

21. CALLED UP SHARE CAPITAL

	1 January 2023 £	2 January 2022 £
Allotted, called up and fully paid		
2 (prior period:2) Ordinary shares of £1.00 each	2	2

22. RESERVES

Revaluation reserve

The revaluation reserve is used to record increases in the fair value of land and buildings and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity. The balance held in the revaluation reserve is recycled to profit and loss account on disposal on the individual property.

Other reserves

Other reserves is a capital contribution reserve that has arisen as a consequence of applying the effective interest rate method when recognising the fair value of certain intercompany loans which have a contractual interest rate of 0%.

Profit and loss account

Profit and loss account reserve represents accumulated retained earnings.

23. COMMITMENTS UNDER OPERATING LEASES

At the balance sheet date the company had future minimum lease rentals receivable under non-cancellable operating leases as shown in the table below.

	1 January 2023 £000	2 January 2022 £000
Not later than 1 year	**6,669**	7,951
Later than 1 year and not later than 5 years	**18,707**	22,508
Later than 5 years	**17,100**	22,258
	42,476	52,717

24. 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.

Interest receivable from and payable to and balances owed to 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 8, 9, 15 and 16.

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

25. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

At the balance sheet date, the directors consider the immediate parent undertaking and immediate controlling party of Spirit Pub Company (Leased) Limited to be Spirit Pubs Parent 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.