

Registered number: 08822132

# **SPIRIT PUB COMPANY (DERWENT) LIMITED**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS**

**For the 52 weeks ended 29 April 2018**



## **SPIRIT PUB COMPANY (DERWENT) LIMITED**

### **COMPANY INFORMATION**

<b>Director</b>	R Smothers (appointed 31 January 2018)
<b>Company secretary</b>	Mrs L A Keswick
<b>Registered number</b>	08822132
<b>Registered office</b>	Westgate Brewery Bury St Edmunds Suffolk IP33 1QT
<b>Auditor</b>	Ernst & Young LLP Statutory Auditor One Cambridge Business Park Cambridge CB4 0WZ

# **SPIRIT PUB COMPANY (DERWENT) LIMITED**

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## **SPIRIT PUB COMPANY (DERWENT) LIMITED**

### **DIRECTORS' REPORT** **For the 52 weeks ended 29 April 2018**

The directors present their report and the financial statements for the 52 weeks ended 29 April 2018.

#### **Principal activity**

The principal activity of the company in previous periods was that of pub retailing. Operations ceased during the period following the sale of the estate to Greene King Brewing and Retailing Limited, a fellow group undertaking for a total consideration of £18,965,280. Consequently its principal activity became that of the provision of financing, via inter-company loans, to fellow group companies.

#### **Going concern**

At the balance sheet date the company had net current assets of £2,439,000 and net assets of £2,439,000. After making enquires the directors have a reasonable expectation that the net assets of £2,439,000 are recoverable in full and that the company has adequate resources to continue in operational existence for the foreseeable future. The directors are satisfied that the company is able to meet its liabilities as they fall due being a period of no less than 12 months from the date of approval of these financial statements and therefore continue to prepare the financial statements on a going concern basis.

#### **Directors**

The directors who served during the 52 weeks were:

K Davis (resigned 31 January 2018)  
J Forrest (resigned 31 January 2018)  
K Millbanks (resigned 19 May 2017)  
M Todd (resigned 31 January 2018)  
P Thomas (resigned 31 January 2018)  
R Lewis (appointed 19 May 2017, resigned 31 January 2018)  
R Smothers (appointed 31 January 2018)

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

The interests of the directors in the shares of the ultimate parent company, Greene King Plc, are shown in the financial statements of that company, where they are directors of Greene King Plc.

#### **Qualifying third party indemnity provisions**

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

#### **Disclosure of information to auditor**

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.

**SPIRIT PUB COMPANY (DERWENT) LIMITED**

**DIRECTORS' REPORT (CONTINUED)**  
**For the 52 weeks ended 29 April 2018**

**Auditor**

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

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

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



**Mrs L A Keswick**

Secretary

Date: 17 October 2018

## **SPIRIT PUB COMPANY (DERWENT) LIMITED**

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

**For the 52 weeks ended 29 April 2018**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the 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 (DERWENT) LIMITED**

### **OPINION**

We have audited the financial statements of Spirit Pub Company (Derwent) Limited (the 'company') for the 52 weeks ended 29 April 2018 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and the related notes 1 to 21, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 29 April 2018 and of its profit for the 52 weeks then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **BASIS FOR OPINION**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **CONCLUSIONS RELATING TO GOING CONCERN**

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

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

### **OTHER INFORMATION**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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

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

We have nothing to report in this regard.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPIRIT PUB COMPANY (DERWENT) LIMITED**

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

### **MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

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

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

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

### **RESPONSIBILITIES OF DIRECTORS**

As explained more fully in the directors' responsibilities statement, set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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**

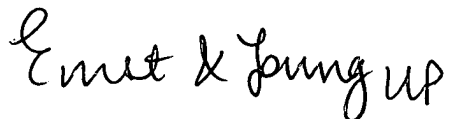
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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 Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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

### 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.



Lloyd Brown (Senior statutory auditor)

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

Date: 17/10/2018

**SPIRIT PUB COMPANY (DERWENT) LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME**

**For the 52 weeks ended 29 April 2018**

		Continuing operations 52 weeks ended 29 April 2018 £000	Discontin'd operations 52 weeks ended 29 April 2018 £000	Total 52 weeks ended 29 April 2018 £000	Continuing operations 52 weeks ended 30 April 2017 £000	Discontinued operations 52 weeks ended 30 April 2017 £000	Total 52 weeks ended 30 April 2017 £000
	Note						
Turnover	4	-	2,839	2,839	7,070	-	7,070
Cost of sales		-	(1,027)	(1,027)	(2,219)	-	(2,219)
<b>Gross profit</b>		-	1,812	1,812	4,851	-	4,851
Administrative expenses		-	(359)	(359)	(4,601)	-	(4,601)
Exceptional administrative expenses	10	-	4,201	4,201	(4,156)	-	(4,156)
<b>Operating profit/(loss)</b>	5	-	5,654	5,654	(3,906)	-	(3,906)
Interest payable and expenses	8	-	(15)	(15)	-	-	-
<b>Profit/(loss) before tax</b>		-	5,639	5,639	(3,906)	-	(3,906)
Taxation	9	-	(505)	(505)	306	-	306
<b>Profit/(loss) for the period</b>		-	5,134	5,134	(3,600)	-	(3,600)

There were no recognised gains and losses for 2018 or 2017 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2018 (2017: £nil).

The notes on pages 10 to 22 form part of these financial statements.

**SPIRIT PUB COMPANY (DERWENT) LIMITED**  
Registered number:08822132

**BALANCE SHEET**  
As at 29 April 2018

	Note	29 April 2018 £000	30 April 2017 £000
<b>Fixed assets</b>			
Tangible assets	11	-	16,010
<b>Current assets</b>			
Debtors: amounts falling due after more than one year	12	-	157
Debtors: amounts falling due within one year	12	22,335	3,133
Cash at bank and in hand	13	75	289
		<u>22,410</u>	<u>3,579</u>
Creditors: amounts falling due within one year	14	(19,971)	(20,964)
<b>Net current assets/(liabilities)</b>		<u>2,439</u>	<u>(17,385)</u>
<b>Total assets less current liabilities</b>		<u>2,439</u>	<u>(1,375)</u>
<b>Provisions for liabilities</b>			
Other provisions	16	-	(1,320)
<b>Net assets/(liabilities)</b>		<u><u>2,439</u></u>	<u><u>(2,695)</u></u>
<b>Capital and reserves</b>			
Called up share capital	17	-	-
Profit and loss account	18	2,439	(2,695)
<b>Equity</b>		<u><u>2,439</u></u>	<u><u>(2,695)</u></u>

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

  
**R Smothers**  
Director

Date: 17 October 2018

The notes on pages 10 to 22 form part of these financial statements.

**SPIRIT PUB COMPANY (DERWENT) LIMITED**

**STATEMENT OF CHANGES IN EQUITY**  
**For the 52 weeks ended 29 April 2018**

	<b>Called up share capital</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 2 May 2016	-	905	905
Loss for the period	-	(3,600)	(3,600)
At 1 May 2017	-	(2,695)	(2,695)
Profit for the period	-	5,134	5,134
<b>At 29 April 2018</b>	<b>-</b>	<b>2,439</b>	<b>2,439</b>

The notes on pages 10 to 22 form part of these financial statements.

## **SPIRIT PUB COMPANY (DERWENT) LIMITED**

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

**For the 52 weeks ended 29 April 2018**

#### **1. GENERAL INFORMATION**

Spirit Pub Company (Derwent) Limited is a private company limited by shares incorporated and domiciled in England & Wales.

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

#### **2. ACCOUNTING POLICIES**

##### **2.1 Basis of preparation of financial statements**

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

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

The following principal accounting policies have been applied:

##### **2.2 Financial reporting standard 101 - reduced disclosure exemptions**

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

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the 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 of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

##### **2.3 Going concern**

At the balance sheet date the company had net current assets of £2,439,000 and net assets of £2,439,000. After making enquiries the directors have a reasonable expectation that the net assets of £2,439,000 are recoverable in full and that the company has adequate resources to continue in operational existence for the foreseeable future. The directors are satisfied that the company is able to meet its liabilities as they fall due being a period of no less than 12 months from the date of approval of these financial statements and therefore continue to prepare the financial statements on a going concern basis.

## **SPIRIT PUB COMPANY (DERWENT) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS** **For the 52 weeks ended 29 April 2018**

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

### **2.4 Tangible fixed assets**

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Freehold property	- depreciated to their estimated residual values over periods up to fifty years
Fixtures and fittings	- depreciated over their estimated useful lives which range from three to twenty years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the profit and loss account.

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 the residual value is the same as, or exceeds, book value.

An item of property, plant and equipment 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.

## **SPIRIT PUB COMPANY (DERWENT) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS** **For the 52 weeks ended 29 April 2018**

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

### **2.5 Impairment**

#### *Property, plant and equipment*

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.

### **2.6 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.

### **2.7 Cash at bank and in hand**

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

### **2.8 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.

### **2.9 Onerous leases**

Where the unavoidable costs of a lease exceed the economic benefit expected to be received from it, a provision is made for the present value of the obligations under the lease.

## **SPIRIT PUB COMPANY (DERWENT) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS** **For the 52 weeks ended 29 April 2018**

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

### **2.10 Operating leases: lessee**

Leases where the lessor retains substantially all the risks and benefits of ownership are classified as operating leases. Rentals paid under operating leases are charged to the profit or loss on a straight line basis over the period of the lease.

### **2.11 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. Turnover principally consists of drink, food and accommodation sales, which are recognised at the point at which goods or services are provided; rental income, which is recognised on a straight line basis over the lease term; and machine income, where net takings are recognised as earned. The accrued value for rebates payable is included within other payables.

### **2.12 Current and deferred taxation**

The tax expense for the 52 weeks comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

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.

### **2.13 Exceptional items**

Exceptional items are defined as items of income or expense which, because of their nature, size or expected frequency, merit separate presentation to allow a better understanding of the financial performance in the period.

## **SPIRIT PUB COMPANY (DERWENT) LIMITED**

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

**For the 52 weeks ended 29 April 2018**

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

The preparation of financial statements requires management to make judgments, estimates and assumptions in the application of accounting policies that affect reported amounts of assets and liabilities, income and expense. The company bases its estimates and judgments on historical experience and other factors deemed reasonable under the circumstances, including any expectations of future events. Actual results may differ from these estimates.

The estimates and judgments considered to be significant are detailed below:

##### **Taxation**

Judgment is required when determining the provision for taxes as the tax treatment of some transactions cannot be finally determined until a formal resolution has been reached with the tax authorities. Assumptions are also made around the assets which qualify for capital allowances and the level of disallowable expenses and this affects the income tax calculation. Provisions are also made for uncertain exposures which can have an impact on both deferred and current tax. Tax benefits are not recognised unless it is probable that the benefit will be obtained and tax provisions are made if it is possible that a liability will arise. The final resolution of these transactions may give rise to material adjustments to the income statement and/or cashflow in future periods. The company reviews each significant tax liability or benefit each period to assess the appropriate accounting treatment.

##### **Impairment of tangible fixed assets**

The company determines whether tangible fixed assets are impaired where there are indicators of impairment. This requires an estimation of the value-in-use and fair value less costs of disposal at a site level. Value-in-use calculations require assumptions to be made regarding the expected future cash flows from the cash generating unit and choice of a suitable discount rate in order to calculate the present value of those cash flows.

##### **Residual values**

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. Useful lives are reassessed annually which may lead to an increase or reduction in depreciation accordingly.

##### **Property provisions**

The company provides for its onerous obligations under operating leases where the property is closed or vacant and for properties where rental expense is in excess of income. The estimates timings and amounts of cash flows are determined using the experience of internal and external property experts. However, changes to the expected method of exiting from the obligation could lead to changes in the level of provision recorded. The carrying value of the provision is disclosed in note 16.

##### **Operating lease commitments - company as lessee**

The company has various lease arrangements as a lessee. The company makes judgement, based on an evaluation of the terms and conditions of the lease arrangement, that the significant risks and rewards of ownerships of the leased properties were retained by the lessor (that is, the lease does not transfer ownership of the asset to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable, and the lease term is not for the major part of the asset's economic life), to determine where the lease is an operating lease or a finance lease.

## SPIRIT PUB COMPANY (DERWENT) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 29 April 2018

#### 4. TURNOVER

	52 weeks ended 29 April 2018 £000	52 weeks ended 30 April 2017 £000
Drink revenue	1,357	3,288
Food revenue	1,455	3,684
Other income	27	98
	<u>2,839</u>	<u>7,070</u>

All turnover arose within the United Kingdom.

#### 5. OPERATING PROFIT/(LOSS)

The operating profit/(loss) is stated after charging:

	52 weeks ended 29 April 2018 £000	52 weeks ended 30 April 2017 £000
Depreciation of tangible fixed assets	442	1,484
Impairment of tangible fixed assets	-	2,596
	<u>-</u>	<u>4,080</u>

#### 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 £2,973,000 (2017: £2,311,000) paid by the ultimate parent company or other group companies. The directors do not believe that it is practicable to apportion this amount between qualifying services as directors to the company and to fellow group undertakings. The number of directors who received or exercised share options during the period was 5 (2017: 5).

#### 7. AUDITOR'S REMUNERATION

The auditor's remuneration for the period of £1,000 (2017: £1,000) has been borne by another group company.

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

**SPIRIT PUB COMPANY (DERWENT) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

For the 52 weeks ended 29 April 2018

**8. INTEREST PAYABLE AND SIMILAR EXPENSES**

	<b>52 weeks ended 29 April 2018 £000</b>	<b>52 weeks ended 30 April 2017 £000</b>
Unwinding of discounting effect of provision	<b>15</b>	-

**9. TAXATION**

	<b>52 weeks ended 29 April 2018 £000</b>	<b>52 weeks ended 30 April 2017 £000</b>
<b>CORPORATION TAX</b>		
Current tax on profits for the year	<b>351</b>	26
Adjustments in respect of previous periods	<b>(3)</b>	-
<b>TOTAL CURRENT TAX</b>	<b>348</b>	26
<b>DEFERRED TAX</b>		
Origination and reversal of timing differences	<b>170</b>	(229)
Effects of tax rates and laws	-	(9)
Deferred tax adjustments arising in previous periods	<b>(13)</b>	(94)
<b>TOTAL DEFERRED TAX</b>	<b>157</b>	(332)
<b>TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES</b>	<b>505</b>	(306)

# **SPIRIT PUB COMPANY (DERWENT) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS** For the 52 weeks ended 29 April 2018

### **9. TAXATION (CONTINUED)**

#### **FACTORS AFFECTING TAXATION FOR THE PERIOD**

The tax assessed for the period is lower than (2017 -higher than) the standard rate of corporation tax in the UK of 19.0% (2017 -19.9%). The differences are explained below:

	<b>52 weeks ended 29 April 2018 £000</b>	<b>52 weeks ended 30 April 2017 £000</b>
Profit/(loss) on ordinary activities before tax	<b>5,639</b>	<b>(3,905)</b>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.0% (2017 - 19.9%)	<b>1,071</b>	<b>(777)</b>
<b>EFFECTS OF:</b>		
Expenses not deductible for tax purposes	-	190
Adjustments to tax charge in respect of prior periods	<b>(16)</b>	<b>(94)</b>
Effects of tax rates and laws	-	(9)
Movement in deferred tax asset not recognised	-	384
Non-taxable gain on disposal	<b>(550)</b>	-
<b>TOTAL TAXATION FOR THE PERIOD</b>	<b>505</b>	<b>(306)</b>

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

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

### **10. EXCEPTIONAL ITEMS**

	<b>52 weeks ended 29 April 2018 £000</b>	<b>52 weeks ended 30 April 2017 £000</b>
Impairment of tangible fixed assets	-	2,596
Property provisions	-	1,320
(Profit)/loss on disposal of fixed assets	<b>(4,201)</b>	<b>240</b>
	<b>(4,201)</b>	<b>4,156</b>

**SPIRIT PUB COMPANY (DERWENT) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

For the 52 weeks ended 29 April 2018

**II. TANGIBLE FIXED ASSETS**

	Land and buildings £000	Fixtures, fittings and equipment £000	Total £000
<b>COST OR VALUATION</b>			
At 1 May 2017	14,833	5,390	20,223
Additions	30	47	77
Disposals	(14,863)	(5,437)	(20,300)
At 29 April 2018	-	-	-
<b>DEPRECIATION</b>			
At 1 May 2017	2,682	1,531	4,213
Charge for the 52 weeks on owned assets	15	427	442
Disposals	(2,697)	(1,958)	(4,655)
At 29 April 2018	-	-	-
<b>NET BOOK VALUE</b>			
At 29 April 2018	-	-	-
At 30 April 2017	12,151	3,859	16,010

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

	29 April 2018 £000	30 April 2017 £000
Freehold property	-	10,279
Long leasehold property	-	1,872
	-	12,151

## SPIRIT PUB COMPANY (DERWENT) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 29 April 2018

#### TANGIBLE FIXED ASSETS (continued)

#### II. IMPAIRMENT

During the period there were no impairment losses (2017: losses of £2,596,000) recognised in profit and loss as exceptional administrative expenses. There were no reversals of previously recognised impairment losses (2017: £nil).

The company considers that each of its individual pubs is a cash generating unit (CGU). Each CGU is reviewed annually for indicators of impairment. When indicators of impairment are identified the carrying value of the CGU is compared to its recoverable amount. The recoverable amount is the higher of the CGU's fair value less costs of disposal and its value-in-use.

The company estimates value-in-use using a discounted cash flow model. The key assumptions used are the discount rate applied to cash flow projections of 7.5% (2017: 8.65%) and the projected cash flows extrapolated using an average growth rate of 1.15% (2017: 1.75%) which is below the long-term average growth rate for the industry and reflects trends in trading performance. Cash flow projections relating to individual CGUs have been made based on historic trends adjusted for management's estimates of medium term trading prospects.

Estimates of fair value less costs of disposal are based on valuations undertaken by in-house property experts. 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.

The impairment charge recognised in relation to a relatively small number of pubs was driven by changes in the local competitive and trading environment at their respective sites, and decisions taken to exit some sites where current market values are lower than book values.

#### SENSITIVITIES TO CHANGE IN ASSUMPTIONS

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:

	29 April 2018 £000	30 April 2017 £000
Increased impairment resulting from a 10% reduction in fair value less cost of disposal	-	405
Increased impairment resulting from a 1% increase in discount rate	-	127
Increased impairment resulting from a 1% reduction in growth rate	-	127

**SPIRIT PUB COMPANY (DERWENT) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

For the 52 weeks ended 29 April 2018

**12. DEBTORS**

	<b>29 April 2018 £000</b>	30 April 2017 £000
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**DUE AFTER MORE THAN ONE YEAR**

Deferred tax asset	-	157
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	<b>29 April 2018 £000</b>	30 April 2017 £000
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**DUE WITHIN ONE YEAR**

Amounts owed by group undertakings	<b>22,335</b>	3,133
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Amounts owed by group undertakings are unsecured, bear no interest, have no fixed date of repayment and are repayable on demand.

**13. CASH AT BANK AND IN HAND**

	<b>29 April 2018 £000</b>	30 April 2017 £000
Cash at bank and in hand	<b>75</b>	289

**14. CREDITORS: Amounts falling due within one year**

	<b>29 April 2018 £000</b>	30 April 2017 £000
Amounts owed to group undertakings	<b>19,620</b>	20,938
Corporation tax payable	<b>351</b>	26
	<b>19,971</b>	20,964

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

**SPIRIT PUB COMPANY (DERWENT) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

For the 52 weeks ended 29 April 2018

**15. DEFERRED TAXATION**

	<b>29 April 2018 £000</b>	30 April 2017 £000
At beginning of year	157	(174)
Charged to profit or loss	(157)	331
<b>At end of year</b>	<u>-</u>	<u>157</u>

The deferred tax asset is made up as follows:

	<b>29 April 2018 £000</b>	30 April 2017 £000
Accelerated capital allowances	-	157
	<u>-</u>	<u>157</u>
<b>COMPRISING:</b>		
Asset - due after one year	<u>-</u>	<u>157</u>

In the prior period a deferred tax asset existed in relation to the licensed estate. As this deferred tax asset represented an inherent capital loss it was not been recognised. Since the company has disposed of its licensed estate there is no longer a deferred tax asset.

**16. OTHER PROVISIONS**

	<b>Property leases £000</b>
At beginning of period	1,320
Unwinding of discounting effect of provision	15
Utilised during period	(1,335)
	<u>-</u>
At end of period	<u>-</u>
<b>Property leases</b>	

The provision for property leases has been set up to cover operating costs of vacant or loss making premises. The provision covers the expected shortfall between operating income and rents payable for a period of five years for trading properties and ten years for non trading properties, being the estimated period to mitigate the losses.

# **SPIRIT PUB COMPANY (DERWENT) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS** For the 52 weeks ended 29 April 2018

### **17. CALLED UP SHARE CAPITAL**

	<b>29 April 2018</b>	30 April 2017
	£	£
<b>Allotted, called up and fully paid</b>		
1 Ordinary share of £1	<u>1</u>	<u>1</u>

### **18. RESERVES**

#### **Profit and loss account**

Profit and loss account reserve represents accumulated retained earnings.

### **19. COMMITMENTS UNDER OPERATING LEASES**

At the balance sheet date the company had future minimum lease payments under non-cancellable operating leases as follows:

	<b>29 April 2018</b>	30 April 2017
	£000	£000
Not later than 1 year	-	148
Later than 1 year and not later than 5 years	-	592
Later than 5 years	-	2,803
	<u>-</u>	<u>3,543</u>

### **20. RELATED PARTY TRANSACTIONS**

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

### **21. 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 (Derwent) Limited to be Spirit Pub Company (SGE) Limited, a company incorporated in England and Wales.

The ultimate parent undertaking and ultimate controlling party is Greene King plc, a company registered in England and Wales.

Greene King Plc is the smallest and largest group which includes the results of the company and for which group financial statements are prepared. Copies of its group financial statements are available from Westgate Brewery, Bury St Edmunds, Suffolk, IP33 1QT.