Registered number: 03982443

SPIRIT (SGL) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the 52 weeks ended 26 April 2020

SPIRIT (SGL) LIMITED

COMPANY INFORMATION

Directors	R Smothers N Elliot (appointed 1 May 2019)
Company secretary	Mrs L A Keswick
Registered number	03982443
Registered office	Westgate Brewery Bury St Edmunds Suffolk IP33 1QT
Auditor	Ernst & Young LLP Statutory Auditor 1 More London Place London SE1 2AF

SPIRIT (SGL) LIMITED

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DIRECTORS' REPORT
For the 52 weeks ended 26 April 2020

The directors present their report and the financial statements for the 52 weeks ended 26 April 2020.

Principal activity

The principal activity of the company is that of an intermediate holding company.

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

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

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 minimum period of at least 12 months from the date of these financial statements.

The directors of Greene King Limited have assessed the potential impact of the COVID-19 pandemic as part of their going concern assessment of the Greene King Limited group. In doing so, the Greene King Limited directors have modelled a worst-case scenario that assumes the group's pubs remain closed for the entire 12 month going concern period. Under this worst-case basis, the Greene King Limited group is forecast to continue to have access to sufficient cash funds to be in operational existence for a period of at least 12 months from the date of the financial statements. Given the length of time the pubs have been closed the Greene King Limited group is forecast to breach certain financial covenants on both its long-term assetbacked financing vehicles during the period of assessment.

The directors of Greene King Limited have a reasonable expectation that the group has adequate resources to continue in operational existence for at least the next 12 months from the date of the approval of the financial statements. In forming this conclusion, the directors have made a significant judgement in respect of the continued availability of its long-term asset-backed financing vehicles in the knowledge that it could be reliant upon continued waiver of debt covenants which are forecast to be breached. The directors of Greene King Limited concluded that this significant judgement represents a material uncertainty that may cast significant doubt on the group's ability to continue as a going concern.

The directors of the company have made appropriate enquiries of the directors of Greene King Limited to confirm that they are satisfied that the financial support will be available and accordingly continue to prepare the financial statements on a going concern basis. However, given the material uncertainty disclosed in Greene King Limited financial statements as noted above, the directors of the company have also concluded there is a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern.

The directors continue to prepare the financial statements on a going concern basis and as a result do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the company were unable to continue as a going concern.

Directors

The directors who served during the 52 weeks were:

R Lewis (resigned 31 August 2019)
R Smothers
N Elliot (appointed 1 May 2019)

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

The shares held by the directors in the capital of Greene King Limited were sold to CK Noble (UK) Limited as part of the acquisition of the company.

Future developments

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

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.

DIRECTORS' REPORT (CONTINUED)
For the 52 weeks ended 26 April 2020

Auditor

Ernst & Young LLP will be resigning as auditor of the company following the completion of these financial statements. The company proposes to appoint Deloitte LLP to audit the next financial statements of the company, which will be for the period to 3 January 2021, as the company will be aligning its financial year end to that used by the remainder of the CKA group.

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.

R Smothers
Director
Date: 20 August 2020

SPIRIT (SGL) LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT
For the 52 weeks ended 26 April 2020

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 (SGL) LIMITED

OPINION

We have audited the financial statements of Spirit (SGL) Limited for the 52 weeks ended 26 April 2020 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and the related notes 1 to 22, 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 26 April 2020 and of its loss 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.

MATERIAL UNCERTAINTIES RELATED TO GOING CONCERN

We draw attention to Note 2.3 in the financial statements, which describes the reliance of the company on a letter of support from the parent company, Greene King Limited, which discloses that a material uncertainty exists relating to the continued availability of both long-term asset-backed financing vehicles in the knowledge that this could be reliant upon continued waiver of debt covenants which are forecast to be breached.

As stated in Note 2.3, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 (SGL) 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 was not entitled to take advantage of the small companies' exemption 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 4, 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 (SGL) 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.

Ernst & Young LLP

Lloyd Brown (Senior statutory auditor)

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

21 August 2020

SPIRIT (SGL) LIMITED

STATEMENT OF COMPREHENSIVE INCOME
For the 52 weeks ended 26 April 2020

	Note	52 weeks ended 26 April 2020 £000	52 weeks ended 28 April 2019 £000
Net impairment losses on financial assets	4	(1,825)	4
Exceptional administrative expenses	10	459	76
Operating (loss)/profit	4	(1,366)	80
Interest receivable and similar income	7	267	237
Interest payable and expenses	8	-	(14)
(Loss)/profit before tax		(1,099)	303
Taxation	9	20	(4,445)
Loss for the period		(1,079)	(4,142)

There was no other comprehensive income for 2020 (2019: £nil).

The notes on pages 11 to 27 form part of these financial statements.

SPIRIT (SGL) LIMITED
Registered number:03982443

BALANCE SHEET
As at 26 April 2020

	Note	26 April 2020 £000	28 April 2019 £000
Fixed assets			
Investments	12	**45,143**	45,143
Current assets			
Debtors: amounts falling due after more than one year	13	**701**	2,132
Debtors: amounts falling due within one year	13	**187,567**	187,696
		188,268	189,828
Creditors: amounts falling due within one year	14	**(12,686)**	(12,708)
Net current assets		**175,582**	177,120
Total assets less current liabilities		**220,725**	222,263
Provisions for liabilities			
Other provisions	16	**-**	(459)
Net assets		**220,725**	221,804
Capital and reserves			
Share premium account	18	**39,996**	39,996
Capital redemption reserve	18	**144,555**	144,555
Other reserves	18	**(1,433)**	(1,433)
Profit and loss account	18	**37,607**	38,686
Equity		**220,725**	221,804

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 20 August 2020.

R Smothers
Director

The notes on pages 11 to 27 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the 52 weeks ended 26 April 2020

	Called up share capital	Share premium account	Capital redemption reserve	Other reserves	Profit and loss account	Total equity
	£000	£000	£000	£000	£000	£000
At 30 April 2018	-	39,996	144,555	(1,433)	43,090	226,208
Impact of change in accounting policy	-	-	-	-	(262)	(262)
At 30 April 2018 (adjusted balance)	-	39,996	144,555	(1,433)	42,828	225,946
Loss for the period	-	-	-	-	(4,142)	(4,142)
At 29 April 2019	-	39,996	144,555	(1,433)	38,686	221,804
Loss for the period	-	-	-	-	(1,079)	(1,079)
At 26 April 2020	-	39,996	144,555	(1,433)	37,607	220,725

The notes on pages 11 to 27 form part of these financial statements.

1. GENERAL INFORMATION

Spirit (SGL) 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 company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about its group.

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

2. ACCOUNTING POLICIES (CONTINUED)

2.3 Going concern

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

The directors of Greene King Limited have assessed the potential impact of the COVID-19 pandemic as part of their going concern assessment of the Greene King Limited group. In doing so, the Greene King Limited directors have modelled a worst-case scenario that assumes the group's pubs remain closed for the entire 12 month going concern period. Under this worst-case basis, the Greene King Limited group is forecast to continue to have access to sufficient cash funds to be in operational existence for a period of at least 12 months from the date of the financial statements. Given the length of time the pubs have been closed the Greene King Limited group is forecast to breach certain financial covenants on both its long-term assetbacked financing vehicles during the period of assessment.

The directors of Greene King Limited have a reasonable expectation that the group has adequate resources to continue in operational existence for at least the next 12 months from the date of the approval of the financial statements. In forming this conclusion, the directors have made a significant judgement in respect of the continued availability of its long-term asset-backed financing vehicles in the knowledge that it could be reliant upon continued waiver of debt covenants which are forecast to be breached. The directors of Greene King Limited concluded that this significant judgement represents a material uncertainty that may cast significant doubt on the group's ability to continue as a going concern.

The directors of the company have made appropriate enquiries of the directors of Greene King Limited to confirm that they are satisfied that the financial support will be available and accordingly continue to prepare the financial statements on a going concern basis. However, given the material uncertainty disclosed in Greene King Limited financial statements as noted above, the directors of the company have also concluded there is a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern.

The directors continue to prepare the financial statements on a going concern basis and as a result do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the company were unable to continue as a going concern.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 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 29 April 2019.
Those standards and interpretations include:
- IFRS 16 Leases
- Prepayments with Negative Compensation – Amendments to IFRS 9
- Plan Amendment, Curtailment or Settlement – Amendments to IAS 19
- Interpretation 23 Uncertainty over Income Tax treatments

The company has considered the above new standards and has concluded that only IFRS 16 has an impact on the company's financial statements and the impact of amendments to IFRS 9, IAS 19 and IFRIC 23 are not material.

IFRS 16

The company has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 29 April 2019.

On transition to IFRS 16, the company elected to apply the following practical expedients:

- the company has not reassessed contracts that were not identified as leases under IAS 17 and IFRIC 4 to determine whether these is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or modified on or after 29 April 2019.
- for leases previously classified as operating leases under IAS 17 -
- the company has adjusted the right-of-use assets by the amount of IAS 37 onerous contract provisions immediately before the date of initial application, as an alternative to an impairment review.
- the company has excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- the company has used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Reconciliation between operating lease commitments and lease liability

The following table explains the difference between the operating lease commitments disclosed applying IAS 17 at 28 April 2019 and the estimated lease liability recognised on adoption of IFRS 16 at 29 April 2019.

	£000
Total minimum lease payments reported at 28 April 2019 under IAS 17 (note 19)	707
Change in assessment of lease term under IFRS 16	-
Impact of discounting lease liability under IFRS 16	(285)
Lease liability recognised on transition to IFRS 16 at 29 April 2019	**422**
Finance lease liability at 28 April 2019	-
Total lease liability at 29 April 2019	**422**

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

2. ACCOUNTING POLICIES (CONTINUED)

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

Balance sheet

As at 28 April 2019, as set out in note 28, the company's future minimum lease payments under non-cancellable operating leases amounted to £707,000, on an undiscounted basis. On 29 April 2019 the company recognised a right-of-use lease asset of nil value (after adjustments for onerous lease contract as at 28 April 2019) and a corresponding lease liability of £434,000 (non-current £28,000; current £406,000).

The provision for onerous lease contracts which was required under IAS 17 of £434,000 has been derecognised and factored into the measurement of the right-of-use assets. Under IFRS 16, right-of-use assets will be tested for impairment in accordance with IAS 36 Impairment of Assets, replacing the previous requirement to recognise a provision for onerous lease contracts.

	28 April 2019 As originally presented £000	IFRS 16 £000	29 April 2019 Adjusted balance £000
Creditors: amounts falling due within one year	-	(406)	(406)
TOTAL ASSETS LESS CURRENT LIABILITIES	-	(406)	(406)
Creditors: amounts falling due after more than one year	-	(28)	(28)
Other provisions	(459)	434	(25)
NET ASSETS	(459)	-	(459)
CAPITAL AND RESERVES			
Profit and loss account	(459)	-	(459)
	(459)	-	(459)

Income statement

Under IFRS 16 the company will see a different pattern of expense within the income statement, as the IAS 17 operating lease expense is replaced by depreciation and interest charges.

The lease was sold on 29th April 2020 to fellow group company, Spirit Pub Company (Trent) Ltd recognising a profit on disposal of £434,000.

Tax impact on changes to the income statement

The company will follow the accounting treatment and deduct depreciation and interest expense when calculating current tax. The tax deductions are not expected to be materially different compared to the previous IAS 17 reporting basis.

2. ACCOUNTING POLICIES (CONTINUED)

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

When measuring lease liabilities for leases that were classified as operating leases, the company discounted lease payments using the incremental borrowing rate at 29 April 2019. The weighted average rate applied is 5.89%.

IFRS 9
The company adopted IFRS 9 on 30 April 2018 prospectively. IFRS 9 replaced the incurred loss model in IAS 39 with an expected credit loss (ECL) model. The new impairment model applies to the company's financial assets that are held at amortised cost. The ECL model resulted in the recognition of a loss allowance of £262,000 on 30 April 2018.

2.5 Investments

Investments held as fixed assets are shown at cost less provision for impairment.

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.

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).

2.7 Intercompany subordinated loans

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

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

2. ACCOUNTING POLICIES (CONTINUED)

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 profit or loss 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 Interest

Interest income is recognised in the statement of comprehensive income using the effective interest method.

2. ACCOUNTING POLICIES (CONTINUED)

2.10 Leases

The company as a lessee

Policy applicable before 29 April 2019

Finance leases: lessee
Leases of property, plant and equipment, where the company has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are recognised at acquisition at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The asset is then depreciated over the shorter of the estimated useful life of the assets or the lease term. A corresponding liability is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between the finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in interest payable.

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.

Property 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.

Policy applicable from 29 April 2019
For any new contracts entered into on or after 29 April 2019, 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 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.

2. ACCOUNTING POLICIES (CONTINUED)

2.10 Leases (continued)

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 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.

2.11 Taxation

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

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

2.12 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.

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:

Exceptional 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 exceptional items requires judgment including consideration of the nature, circumstances, scale and impact of the transaction.

Financial assets
The group recognised a loss allowance for expected credit losses on amounts due on term loans. The methodology used to determine the amount of 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 rates 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 the credit impaired assets, to the net carrying amount of the financial asset).

As per the methodology above a review was carried out on amounts due on term loans for an indication of a significant increase in credit risk. The main criteria used was to compare the risk of default occurring over the expected life of the instrument at the reporting date with the risk of default at the date of initial recognition. This review concluded that given the assessment of liquidity of the group technical breach in financial covenants gives rise to a significant increase in credit risk of the amounts due on term loans resulting therefore on a change of ECL from a 12-month ECL into lifetime ECL. For further detail refer to note 9 and 17.

SIGNIFICANT ACCOUNTING ESTIMATES

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

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.

COVID-19
As a result of the COVID-19 impact, management have applied estimates within the expected credit loss calculation on amounts owed by group undertakings, see notes 13 and 15 for further details.

4. OPERATING LOSS

The operating loss is stated after charging:

	52 weeks ended 26 April 2020 £000	52 weeks ended 28 April 2019 £000
Operating lease rentals	-	38
Net impairment losses on financial assets	1,825	-

5. STAFF COSTS

The company has no employees (2019: none) and did not incur any staff costs during the period (2019: £nil).

The directors who held office during the period were also directors of fellow group undertakings. Total emoluments, including any company pension contributions, received by these directors totals £886,000 (2019: £1,674,000) 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 in a fellow group company during the period was 3 (2019: 2).

6. AUDITOR'S REMUNERATION

The auditor's remuneration for the period of £1,500 (2019: £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.

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	52 weeks ended 26 April 2020 £000	52 weeks ended 28 April 2019 £000
Interest receivable from group undertakings	267	237

8. INTEREST PAYABLE AND SIMILAR EXPENSES

	52 weeks ended 26 April 2020 £000	52 weeks ended 28 April 2019 £000
Unwinding of discounting effect of provision	-	14
	-	14

9. TAXATION

	52 weeks ended 26 April 2020 £000	52 weeks ended 28 April 2019 £000
CORPORATION TAX		
Current tax on profits for the year	-	2,259
Adjustments in respect of previous periods	(20)	2,186
TOTAL CURRENT TAX	(20)	4,445

FACTORS AFFECTING TAXATION FOR THE PERIOD

The tax assessed for the period is higher than (2019:higher than) the standard rate of corporation tax in the UK of 19.0% (2019: 19.0%). The differences are explained below:

	52 weeks ended 26 April 2020 £000	52 weeks ended 28 April 2019 £000
Profit/(loss) on ordinary activities before tax	(1,099)	303
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.0% (2019 - 19.0%)	(209)	58
EFFECTS OF:		
Expenses not deductible for tax purposes	296	(45)
Adjustments to tax charge in respect of prior periods	(20)	2,186
Group relief for nil consideration	(2,333)	-
Transfer pricing adjustments	2,246	2,246
TOTAL TAXATION FOR THE PERIOD	(20)	4,445

9. TAXATION (CONTINUED)

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The planned reduction in the rate of corporation tax for 19% to 17% was reversed by order of a "Ways and mean" motion on 17 March 2020, such motions having statutory effect under the Provisional Collection of Taxes Act 1968. Therefore, the enacted rate at the balance sheet date remains at 19% and is therefore included in these accounts. The net deferred tax asset has been calculated using the rates at which each temporary difference is expected to reverse.

10. EXCEPTIONAL ITEMS

	52 weeks ended 26 April 2020 £000	52 weeks ended 28 April 2019 £000
Property provisions (note 15)	**-**	(76)
Profit on disposal of fixed assets	**(459)**	-

On 29th April 2019, the company disposed of its remaining property lease recognising a profit on disposal of £459,000, of which £434,000 related to IFRS 16 accounting and £25,000 through the release of the dilapidation provision.

A credit of £76,000 was incurred in the prior year to decrease the property provisions relating to onerous lease contracts.

11. LEASES

Company as a lessee

The company had a lease contract for it's remaining property, which was disposed of in the financial year.

12. FIXED ASSET INVESTMENTS

	Investments in subsidiary companies £000
COST OR VALUATION	
At 29 April 2019	**45,143**
At 26 April 2020	**45,143**
NET BOOK VALUE	
At 26 April 2020	**45,143**
At 28 April 2019	45,143

All direct and indirect subsidiary undertakings are incorporated in England and Wales.

The director believes that the carrying value of the investments is supported by their underlying net assets.

SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the company:

Name	Principal activity	Class of shares	Holding
Tom Cobleigh Limited	Holding company	Ordinary	100%
Spirit (AKE Holdings) Limited	Holding company	Ordinary	100%
Spirit (Faith) Limited	Property	Ordinary	100%
The Nice Pub Company Limited	Non trading	Ordinary	100%
Allied Kunick Entertainments Limited	Property	Ordinary	100%

13. DEBTORS

	26 April 2020 £000	28 April 2019 £000
DUE AFTER MORE THAN ONE YEAR		
Subordinated loans owed by group undertakings	**701**	2,132

	26 April 2020 £000	28 April 2019 £000
DUE WITHIN ONE YEAR		
Amounts owed by group undertakings	**187,567**	187,696

Subordinated loans owed by group undertakings is owed by Spirit Pub Company (Leased) Limited and is held at amortised cost. The carrying value of the loan, after applying the effective interest rate method is £701,000 (2019: £2,132,000). Repayment of the loan is only permissible following repayment of the secured loan notes that Spirit Pub Company (Leased) Limited holds with Spirit Issuer plc, a fellow group undertaking. At that time the amount repayable will be £13,500,000 (2019: £13,500,000). Expected credit losses of £1,700,000 (2019: £3,000) have been recognised against the carrying value.

Included within amounts owed by group undertakings due within one year are non-interest bearing loans to fellow group companies, Spirit Group Parent Limited and Spirit Group Equity Limited, of £168,900,000 and £445,000 respectively (2019: £168,900,000 and £445,000 respectively). Both loans are repayable on demand and held at amortised cost. Other amounts owed by group undertakings are unsecured, bear no interest, have no fixed date of repayment, are repayable on demand and held at amortised cost. Expected credit losses of £387,000 (2019: £259,000) have been recognised against the carrying value.

14. CREDITORS: Amounts falling due within one year

	26 April 2020 £000	28 April 2019 £000
Amounts owed to group undertakings	**12,686**	10,449
Corporation tax	**-**	2,259
	12,686	12,708

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

15. FINANCIAL INSTRUMENTS

	26 April 2020 £000	28 April 2019 £000
FINANCIAL ASSETS		
Financial assets that are debt instruments measured at amortised cost	**188,268**	189,828
FINANCIAL LIABILITIES		
Financial liabilities measured at amortised cost	**(12,686)**	(10,449)

Financial assets that are debt instruments measured at amortised cost comprise of amounts owed by group undertakings.

Financial liabilities measured at amortised cost comprise of amounts owed to group undertakings.

16. OTHER PROVISIONS

	Property leases £000
At 29 April 2019 (as previously stated)	459
Derecognition on transition to IFRS 16	(434)
At 29 April 2019 (adjusted balance)	25
Release to profit and loss	(25)
AT 26 APRIL 2020	-

Property leases
Prior to 29 April 2019, the provision for property leases was set up to cover operating costs of vacant or loss making premises as well as dilapidation requirements. From 29 April 2019, onerous lease provisions have been considered for the calculation of Right-of-Use Assets following the adoption of IFRS 16. See note 2.3 for details.

Additionally, provisions have been recognised in relation to property leases that have dilapidation clauses.

17. CALLED UP SHARE CAPITAL

	26 April 2020 £	28 April 2019 £
Allotted, called up and fully paid		
3 (2019:3) Ordinary shares of £1.00 each	3	3

18. RESERVES

Share premium account

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

Capital redemption reserve

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

Other reserves

The other reserve arose from the hive up of Tom Cobleigh Limited assets to Spirit (SGL) Limited following the transfer of shares in Tom Cobleigh Limited from Spirit Parent Limited.

Profit and loss account

Profit and loss account reserve represents accumulated retained earnings.

19. COMMITMENTS UNDER OPERATING LEASES

Upon transition to IFRS 16 on 29 April 2019, the company has capitalised all operating leases held as Right-of-User assets, for further information see note 2.3.

At 26 April 2020 the company had future minimum lease payments under non-cancellable operating leases as follows:

	26 April 2020 £000	28 April 2019 £000
Not later than 1 year	-	36
Later than 1 year and not later than 5 years	-	144
Later than 5 years	-	527
	-	707

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 Limited. 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. POST BALANCE SHEET EVENTS

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

22. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

At the balance sheet date, the directors consider the immediate parent undertaking and immediate controlling party of Spirit (SGL) 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 in the Cayman Islands and Hong Kong, with its shares listed on the Main Board of the Hong Kong Stock Exchange.

Spirit Pubs Debenture Holdings 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.