

Greene King Retailing Parent Limited

Annual Report and Financial Statements

1 May 2016

Registered number: 5265454



Company information

Directors	R Anand K Davis C Houlton R Lewis K Millbanks
Company secretary	Mrs L A Keswick
Registered number	5265454
Registered office	Westgate Brewery Bury St Edmunds Suffolk IP33 1QT
Auditor	Ernst & Young LLP One Cambridge Business Park Cambridge CB4 0WZ

Strategic report

The directors present their Strategic report for the 52 week period ended 1 May 2016.

Business review and future outlook

The company's principal activity during the period continued to be the management of securitised public houses, and the retailing of beers, wines, spirits and soft drinks.

The company's strategy is to improve growth through increasing its exposure to the more attractive categories in the company's markets, such as food, coffee, wine and rooms, and by increasing the level of influence and control the company has over its offers in these categories. In order to achieve this most efficiently the company aims to grow its managed pub business and improve the overall quality of the estate through targeted acquisition and investment in its people, offers and assets. The company aims to improve the quality and sustainability of its tenanted and leased business, by improving the customer offer, investing in core assets and reducing the size of the estate.

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

	52 weeks to 1 May 2016 £m	52 weeks to 3 May 2015 £m	Change %
Revenue	688	677	+1.7%
Pre-exceptional operating profit	165	157	+5.1%
Pre-exceptional operating margin	23.9%	23.1%	
EBITDA	199.5	191.2	+4.3%
Outstanding bond issuance	1,208	1,241	-2.7%
Number of pubs at period end			
- Tenanted	780	818	-4.6%
- Managed	694	688	+0.9%

EBITDA represents earnings before interest, tax, depreciation, amortisation and exceptional items.

This has been another successful period for Greene King Retailing Parent Limited with record revenue, up 1.6% to £688m. Pre-exceptional operating margin increased slightly to 23.9% due to the impact of the changing channel mix, as the managed business grows its share of revenue.

The increase in the proportion of managed pubs has driven substantial growth in pre-exceptional EBITDA per pub during the period, up 6.5% to £135,000. The debt service ratio has remained stable at 1.5. During the period the company disposed of 41 tenanted pubs. The company acquired 11 managed pubs for a consideration of £41m.

Principal risks and uncertainties

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

The principal risks and uncertainties facing the group are broadly grouped as strategic risks, economic and market risks, financial risks, regulatory risks and operational and people risks.

Strategic risks

The failure to deliver the full synergies anticipated from the integration of Spirit Pub Company could lead to reduced profitability and lower growth rates than our strategic objectives. An integration steering committee is overseeing the integration and retention arrangements are in place for critical-to-retail staff. Synergy targets are established and systems are in place to record synergies captured.

The failure of the group to develop appealing customer offers, to identify and respond to fast-changing customer tastes and to maintain and grow market share may reduce revenue, profitability and growth rates.

The group mitigates these risks through ongoing research, the use of guest satisfaction tools and surveys, ongoing investment in training and enhanced communication with our guests and customers.

Economic and market risks

The wider economic situation within the UK continues to affect consumer confidence, particularly in light of the referendum vote to leave the European Union, and the company also faces increasing competitor activity. The consequential impact could reduce revenue, profitability and lead to lower growth rates.

Strategic report (continued)

The company aims to mitigate this risk by focusing on value, service and quality to appeal to a broad range of consumers and to ensure there is a broad geographical spread of pubs including London and the South East. The company continues with innovation projects, training and support for tenants.

Financial risks

The group's financing structure requires it to be able to repay capital borrowed and interest on time and to ensure that the Group operates within certain financial covenants. Breaching the financial covenants would have a significant impact on the Group's ability to reinvest cash back into the business.

The group's long term strategy and yearly business plans are formulated to ensure that financial covenants can be met and management monitor this on a regular basis.

Regulatory risks

Legislation such as the National Living Wage and the apprenticeship levy will drive up costs as will any increases in rates charged on our pubs and restaurants. Legislation impacting consumers, including the sale of alcohol, could potentially damage demand leading to reduced revenue.

We have developed a plan which will in part mitigate the cost impact of the National Living Wage and the apprenticeship levy over the next three years. We will monitor legislative developments and actively engage with government where necessary. Our diversified offer includes soft drinks, coffee, food and accommodation to reduce our reliance on alcohol-based revenue.

The group is required to comply with a wide range of health and safety legislation, including in the areas of food safety and fire safety. Serious illness, injury or even loss of life to one of the company's customers, employees or tenants could have a significant impact on the company's reputation.

The group has a comprehensive range of formally documented policies and procedures in place, including centrally managed system of compliance key performance indicator tracking and internal and independent audits to ensure compliance with current legislation and approved guidance. Safety measures are in place, including a supplier assurance programme, to ensure that product integrity is maintained and that all food and drink products are fully traceable.

Failure to respond to the threats to our Pub Partners business posed by the introduction of the 'market rent only' (MRO) option and the statutory code could lead to loss of income and profits in Pub Partners from reduced beer margin and penalties for breach of the statutory code. We have developed agreements that are exempt from the MRO option with plans to adopt these where possible. Site by site plans are in place to mitigate the risks and an up-weighted compliance team is in place with training for all relevant employees and enhanced processes and procedures in place to reduce risks.

Operational and people risks

The group is reliant on the quality of its employees and licensees. A failure to attract, develop, retain and motivate the best employees at all levels of the organisation and the best tenants may mean that the company is not able to execute its business plans and strategy.

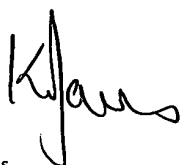
A branded recruitment plan is in place with a strong pipeline of suitable candidates. Remuneration packages are benchmarked to ensure they remain competitive and career development programmes are in place to retain key employees.

The group is reliant on information systems and technology for many aspects of the business. A significant cyber security breach could impact on our ability to do business impacting revenue and profitability or cause reputational damage or financial damage from fines or compensation.

The group's networks are protected by firewalls and anti-virus protection systems with back-up procedures also in place. Plans are in place to further enhance controls in this area including ongoing investment. We constantly monitor threats to data protection by viruses, hacking and breach of access controls, with additional controls added during the year. A data governance committee drives improved behaviours and management response to the risks.

The group is reliant on a number of key suppliers and third party distributors. Supply disruption could impact customer satisfaction, leading to loss of revenue. Key supplier or distributor withdrawal or long-term failure could reduce revenues or lead to increased costs. Back-up plans are maintained in the event of the failure or loss of a key supplier.

This report was approved by the board on ²⁵ August 2016 and signed on its behalf.



K Davis
Director

Directors' report

The directors present their annual report and financial statements for the 52 week period ended 1 May 2016.

Results and dividends

The profit after tax and interest was £55m (2015: £1m loss after tax) and the directors do not recommend the payment of a dividend (2015 - £nil).

Directors and their interests

The directors during the period and to the date of this report, except stated otherwise, were as follows:

R Anand
SJ Connor - resigned 31 March 2016
K Davis
C Houlton
R Lewis
K Millbanks
J Webster - resigned 31 December 2015

None of the directors held any interest in the share capital of the group during either the current or prior periods.

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.

Future developments

The group intends to continue operating the areas of management of public houses, and the retailing of beers, wines, spirits and soft drinks for the foreseeable future.

Indemnity provision / directors' liabilities

The group 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.

Post balance sheet events

On 26 May 2016 the group issued £300m A6 bonds maturing March 2035 at a coupon of 4.0643% and £40m AB2 bonds maturing March 2036 at a coupon of 6.0552%. Both bonds were issued to Greene King Finance plc. In addition, Greene King plc advanced a further subordinated loan balance of £112.0m at an interest rate of 12.5% repayable upon repayment of the group's securitised bonds in March 2036.

£116.6m of these proceeds were used by the group to meet the mark to market amount of certain derivatives financial liabilities. These interest rate swaps had a nominal value of £302.9m and a carrying value at 1 May 2016 of £121.1m.

A further £60m was used to acquire the £60m AB1 secured note issued by Greene King Finance plc from Greene King plc. In accordance with the terms of these notes, following this transaction, the notes were cancelled.

The remaining proceeds were used in the acquisition of 89 trading pubs from Greene King Brewing & Retailing for £308.9m.

Employment and recruitment policies

It is the group's policy to ensure that employees are recruited, selected, developed, remunerated and promoted on the basis of their skills and suitability for the work performed. The group is committed to treating all colleagues fairly and equally and will endeavour to provide workplace adaptations and training for colleagues or candidates who have a disability and colleagues who become disabled during their employment.

The group values colleague engagement across the business and produces a monthly publication that is circulated to all employees containing company news and articles, which is circulated to all colleagues. In addition, the company provides regular briefings and presentations to staff on the company's performance and strategy as well as annual and interim results. The group operates an HMRC approved share save scheme open to all employees which helps to align employees with the performance of the company.

The group is a people business so it is vitally important that we recruit and train the right people to deliver value, service and quality to our customers. The group works in partnership with local communities to promote and provide opportunities for all.

Directors report (continued)

Financial instruments

The primary treasury objectives of the group are to identify and manage the financial risks that arise in relation to underlying business needs, and provide secure and competitively priced funding for the activities of the group. If appropriate, the group uses financial instruments and derivatives to manage these risks.

The principal financial instruments held for the purpose of raising finance for operations are bank loans and overdraft, securitised bonds, cash and short term deposits. Other financial instruments arise directly from the operations of the group, such as trade receivables and payables.

Derivative financial instruments, principally interest rate swaps, are used to manage the interest rate risks related to the group's operations and financing sources. No speculative trading in derivative financial instruments is undertaken.

Further details on risks and uncertainties on the use of financial instruments are set out in the Strategic report and note 20 to the financial statements.

Going concern

The group's business activity, together with the factors likely to affect its future development, performance and position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposure to credit, liquidity and cash flow risk are described in the Strategic report and note 20 to the financial statements.

The directors are of the opinion that the group's forecast and projections, taking account of reasonably possible changes in trading performance and stress testing, show that the group should be able to operate within its current borrowing facilities and comply with its financing covenants.

At the balance sheet date the group had net liabilities of £301.2m and net current liabilities of £240.7m. Within the net liabilities is a £393.7m subordinated loan from other group companies. This loan cannot be repaid until all the securitised debt has been fully repaid.

The directors have prepared the financial statements on a going concern basis as the ultimate parent company, Greene King plc, has given a formal undertaking that it will provide financial support to enable the group to meet its liabilities as they fall due, for at least twelve months from the date of signing these financial statements.

After making enquiries of the directors of Greene King plc, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Statement as to disclosure of information to auditor

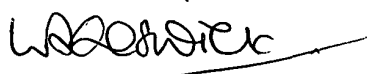
The directors who were members of the board at the time of approving this report are listed above. Having made enquiries of fellow directors and of the company's auditor, each of these directors confirm that:

- to the best of their knowledge and belief, there is no information relevant to the preparation of this report of which the company's auditor is unaware; and
- they have taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

In accordance with s.485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for reappointment of Ernst & Young LLP as auditor of the company.

This report was approved by the board on ²⁵ August 2016 and signed on its behalf.



Mrs L A Keswick
Company Secretary

Date: August 2016

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards ('IFRS') as adopted by the European Union, and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101'). 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 group and the company and the profit or loss of the group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- in respect of the group financial statements, state whether IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- in respect of the parent company financial statements, state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and/or the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report

to the members of Greene King Retailing Parent Limited

We have audited the financial statements of Greene King Retailing Parent Limited for the 52 week period ended 1 May 2016 which comprise the group income statement, the group statement of other comprehensive income, the group and company balance sheets, the group and company statements of changes in equity, the group cash flow statement, and the related notes 1 to 36. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 ('FRS101') 'Reduced Disclosure Framework'.

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of directors' responsibilities on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 1 May 2016 and of the group's profit for the 52 week period then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.



Bob Forsyth (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Cambridge, UK

Date: 26 August 2016

Group income statement

for the 52 week period ended 1 May 2016

	Notes	52 weeks to 1 May 2016 £m	52 weeks to 3 May 2015 £m
Revenue	3	688.4	676.8
Cost of sales		(222.7)	(220.6)
Gross profit		465.7	456.2
Administrative expenses		(300.8)	(299.6)
Operating profit before exceptional items	5	164.9	156.6
Exceptional administrative expenses	4	(3.0)	(15.3)
Operating profit		161.9	141.3
Finance income	7	0.5	0.4
Finance costs	8	(126.3)	(128.8)
Profit on ordinary activity before taxation		36.1	12.9
Tax	9	18.7	(14.1)
Profit / (loss) attributable to equity holders of parent		54.8	(1.2)

Group statement of other comprehensive income

for the 52 week period ended 1 May 2016

	52 weeks to 1 May 2016 £m	52 weeks to 3 May 2015 £m
Profit for the period	54.8	(1.2)
Other comprehensive income		
Items that can be reclassified to profit or loss		
Losses on cash flow hedges taken to equity	(40.8)	(93.8)
Transfers to income statement on cash flow hedges	27.3	28.6
Tax on items relating to components of other comprehensive income	(2.3)	13.0
Other comprehensive loss for the period net of tax	(15.8)	(52.2)
Total comprehensive income / (loss) for the period net of tax	39.0	(53.4)

Group balance sheet

as at 1 May 2016

	Notes	1 May 2016 £m	3 May 2015 £m	4 May 2014 £m
Non-current assets				
Property, plant and equipment	11	1,436.1	1,424.8	1,350.1
Goodwill	10	271.4	272.0	269.3
Deferred tax assets	21	30.6	31.3	17.1
		1,738.1	1,728.1	1,636.5
Current assets				
Inventories	14	7.2	7.4	5.9
Trade and other receivables	15	9.1	9.8	11.7
Prepayments		3.0	2.7	2.1
Cash and cash equivalents	16	109.1	34.3	16.1
		128.4	54.2	35.8
Property, plant and equipment held for sale	12	0.6	0.4	72.0
		129.0	54.6	107.8
Current liabilities				
Borrowings	19	(34.2)	(32.4)	(30.9)
Derivative financial instruments	20	(22.5)	(27.1)	(28.6)
Trade and other payables	17	(306.3)	(223.1)	(178.6)
Income tax payable		(6.7)	(2.0)	(3.2)
		(369.7)	(284.6)	(241.3)
Net current liabilities		(240.7)	(230.0)	(133.5)
Non-current liabilities				
Borrowings	19	(1,166.6)	(1,200.8)	(1,233.0)
Derivative financial instruments	20	(226.8)	(208.4)	(142.0)
Trade and other payables	18	(393.7)	(393.7)	(393.7)
Deferred tax liabilities	21	(11.5)	(35.4)	(21.1)
		(1,798.6)	1,838.3	1,789.8
Total net liabilities		(301.2)	(340.2)	(286.8)
Capital and reserves				
Share capital	22	-	-	-
Hedging reserve	23	(204.4)	(188.6)	(136.4)
Retained earnings		(96.8)	(151.6)	(150.4)
Total equity		(301.2)	(340.2)	(286.8)

The financial statements were approved and authorised for issue by the board of directors and signed on its behalf on 25 August 2016 by:



K Davis
Director

Group statement of changes in equity

for the 52 week period ended 1 May 2016

	Share capital £m	Other reserves £m	Retained earnings £m	Total equity £m
As at 4 May 2014	-	(136.4)	(150.4)	(286.8)
Comprehensive income for the period				
Loss for the period	-	-	(1.2)	(1.2)
Other comprehensive income:				
Losses on cash flow hedges taken to equity	-	(93.8)	-	(93.8)
Transfers to the income statement on cash flow hedges	-	28.6	-	28.6
Tax on cash flow hedges	-	13.0	-	13.0
Total comprehensive loss for the period	-	(52.2)	(1.2)	(53.4)
As at 3 May 2015	-	(188.6)	(151.6)	(340.2)
Comprehensive income for the period				
Profit for the period	-	-	54.8	54.8
Other comprehensive income:				
Losses on cash flow hedges taken to equity	-	(40.8)	-	(40.8)
Transfers to the income statement on cash flow hedges	-	27.3	-	27.3
Tax on cash flow hedges	-	(2.3)	-	(2.3)
Total comprehensive income for the period	-	(15.8)	54.8	39.0
At 1 May 2016	-	(204.4)	(96.8)	(301.2)

Group cash flow statement

for the 52 week period ended 1 May 2016

	Notes	1 May 2016 £m	3 May 2015 £m
Net cash inflow from operating activities	25	154.4	105.4
Cash flows from investing activities			
Purchase of property plant and equipment	11	(58.2)	(60.5)
Sale of property plant and equipment		52.4	83.3
Acquisition of package of public houses	13	(40.9)	(78.9)
Net cash flow from investing activities		(46.7)	(56.1)
Cash flows from financing activities			
Payment of borrowings	27	(32.9)	(31.1)
Net cash flow from financing activities		(32.9)	(31.1)
Net increase in cash and cash equivalents		74.8	18.2
Opening cash and cash equivalents		34.3	16.1
Closing cash and cash equivalents	16	109.1	34.3

I. Accounting policies**Corporate information**

The financial statements of Greene King Retailing Limited for the 52 weeks ended 1 May 2016 were authorised for issue by the board of directors on August 2016. Greene King Retailing Parent Limited is a limited company incorporated and domiciled in England and Wales.

Basis of preparation of financial statements

The group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU as they apply to the financial statements of the group for the 52 weeks ended 1 May 2016 (prior year 52 weeks ended 3 May 2015) and in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

Information of the impact first-time adoption of IFRS is given in note 31.

The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the group's accounting policies.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Greene King Retailing Parent Limited and its subsidiaries (listed in note 35 to the company financial statements). The financial statements of subsidiaries are prepared for the same reporting period as the parent company.

The results of the subsidiaries are consolidated, from the date of acquisition, being the date on which the group obtains control, and continue to be consolidated until the date such control ceases. Intercompany transactions, balances, income and expenses are eliminated on consolidation.

First time application of IFRS

In the current 52 weeks ended 1 May 2016, the group adopted IFRS as adopted in the EU. In previous periods the financial statements were prepared in accordance with applicable United Kingdom General Accepted Accounting Practice ('UK GAAP').

This change in the basis of preparation has materially altered the recognition and measurement requirements previously applied in accordance with UK GAAP. An explanation of the impact of the adoption of IFRS for the first time is included in note 31.

The following principal accounting policies have been applied:

Going concern

The group's business activity, together with the factors likely to affect its future development, performance and position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposure to credit, liquidity and cash flow risk are described in the Strategic report and note 20 to the financial statements.

The directors are of the opinion that the group's forecast and projections, taking account of reasonably possible changes in trading performance and stress testing, show that the group should be able to operate within its current borrowing facilities and comply with its financing covenants.

At the balance sheet date the group had net liabilities of £301.2m and net current liabilities of £240.7m. Within the net liabilities is a £393.7m subordinated loan from other group companies. This loan cannot be repaid until all the securitised debt has been fully repaid.

The directors have prepared the financial statements on a going concern basis as the ultimate parent company, Greene King plc, has given a formal undertaking that it will provide financial support to enable the group to meet its liabilities as they fall due, for at least twelve months from the date of signing these financial statements.

After making enquiries of the directors of Greene King plc, the directors have a reasonable expectation that the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

I. Accounting policies (continued)

Revenue

Generally, revenue represents external sales (excluding taxes) of goods and services, net of discounts. Revenue 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. Revenue 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.

Supplier rebates

Supplier rebates are included within operating profit as they are earned. The accrued value at the reporting date is included within other receivables.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. The choice of measurement of non-controlling interests, either at fair value or at the proportionate share of the acquiree's identifiable net assets, is determined on a transaction by transaction basis. Acquisition costs incurred are taken to the income statement.

When the group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

Goodwill is initially measured at cost and represents the excess of the aggregate of the acquisition date fair value of the consideration transferred and the amount recognised over the net identifiable amounts of the assets acquired and liabilities assumed in exchange for the business combination. Assets acquired and liabilities assumed in transactions separate to the business combinations, such as the settlement of pre-existing relationships or post-acquisition remuneration arrangements, are accounted for separately from the business combination in accordance with their nature and applicable IFRSs.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset.

Freehold land is not depreciated. Freehold buildings and long leasehold properties are depreciated to their estimated residual values over periods up to fifty years and short leasehold properties are depreciated to their estimated residual values over the remaining term of the lease. Furniture and equipment assets are depreciated over their estimated useful lives which range from three to twenty years. Where the carrying value of properties may not be recoverable, an impairment in the value of tangible fixed assets is charged to the income statement.

Residual value is reviewed at least at each financial year end and there is no depreciable amount if residual value is the same as, or exceeds, book value. Residual values, useful lives and methods of depreciation are reviewed for all categories of property, plant and equipment and adjusted, if appropriate, at each financial year end.

An item of 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.

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.

I. Accounting policies (continued)

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

Details of the impairment losses recognised in respect of tangible fixed assets are provided in note 11.

Goodwill

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

The group reviews goodwill over the total pub estate. For the purpose of impairment testing, the carrying value of the goodwill is compared to its recoverable amount being the higher of net realisable value and value in use. Where the recoverable amount is less than the carrying value, an impairment loss is recognised immediately in the income statement. This loss cannot be reversed in future periods.

If part of the pub estate is disposed, any goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the estate retained. Goodwill amortised prior to the conversion to IFRS on 4 May 2014 has not been reinstated and the net book value of goodwill at that date has been carried forward as the carrying value.

Property, plant and equipment held for sale

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

Inventories

Inventories are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks and are valued at average cost.

Cash and cash equivalents

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

Derivatives and financial instruments

Financial instruments are recognised when the group becomes party to the contractual provisions of the instrument and de-recognised when the group no longer controls the contractual rights that comprise the financial instrument, normally through sale or when all cash flows attributable to the instrument are passed to an independent third party.

Trade receivables

Trade receivables are recorded at their original invoiced amount less an allowance for any doubtful amounts when collection of the full amount is no longer considered probable.

Interest-bearing loans and borrowings

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

Finance costs and income

Finance costs are expensed to the income statement using the effective interest method. Finance income is recognised in the income statement using the effective interest method.

Derivative financial instruments

The group uses interest rate swaps to hedge its exposure to interest rate fluctuations on its variable rate term loans and notes.

Interest rate swaps are initially measured at fair value, if any, and carried on the balance sheet as an asset or liability. Subsequent measurement is at fair value determined by reference to market values for similar instruments. If a derivative does not qualify for hedge accounting the gain or loss arising on the movement in fair value is recognised in the income statement.

1. Accounting policies (continued)*Hedge accounting*

To qualify for hedge accounting the hedge relationship must be designated and documented at inception. Documentation must include the risk management objective and strategy for undertaking the hedge and formal allocation to the item or transaction being hedged. The group also documents how it will assess the effectiveness of the hedge and carries out assessments on a regular basis to determine whether it has been, and is likely to continue to be, highly effective. Hedges can be classified as either fair value (hedging exposure to changes in fair value of an asset or liability) or cash flow (hedging the variability in cash flows attributable to an asset, liability, or forecast transaction). The group uses its interest rate swaps as cash flow hedges.

Cash flow hedge accounting

The effective portion of the gain or loss on an interest rate swap is recognised directly in other comprehensive income, whilst any ineffective portion is recognised immediately in the income statement.

Amounts taken to other comprehensive income are transferred to the income statement in the same period that the financial income or expense is recognised, unless the hedged transaction results in the recognition of a non-financial asset or liability whereby the amounts are transferred to the initial carrying amount of the asset or liability.

When a hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting, amounts previously recognised in other comprehensive income are held there until the previously hedged transaction affects profit or loss. If the hedged transaction is no longer expected to occur, the cumulative gain or loss recognised in other comprehensive income is immediately transferred to the income statement.

Trade payables

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

Amounts owed to other group companies

Amounts owed by or to other Greene King group companies, are classified as current receivables or payables unless there is a formal loan arrangement in place that specifies repayment over a period longer than one year from the balance sheet date.

Income tax

Income tax comprises both the income tax payable based on profits for the period and the deferred income tax. It is calculated using taxation rates enacted or substantively enacted by the balance sheet date and is measured at the amount expected to be recovered from or paid to the taxation authorities. Income tax relating to items recognised directly in other comprehensive income and equity is recognised in other comprehensive income and equity respectively.

Deferred tax

Deferred tax is provided for using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying values in the financial statements.

Deferred tax is recognised for all temporary differences except where the deferred tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss or, in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences and carry forward of unused tax losses only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured, on an undiscounted basis, at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax relating to items recognised directly in other comprehensive income and equity is recognised in other comprehensive income and equity respectively.

1. Accounting policies (continued)

Operating leases

Leases where the lessor retains substantially all the risks and benefits of ownership are classified as operating leases. Rentals paid under operating leases are recognised as an expense in the income statement on a straight-line basis over the lease term.

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 underlying performance in the period.

2. Judgements 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 group 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 group reviews each significant tax liability or benefit each period to assess the appropriate accounting treatment.

Impairment of goodwill

The group determines whether goodwill is impaired on at least an annual basis. Details of the tests and carrying value of the assets are shown in note 10. This requires an estimation of the value-in-use of the cash-generating units to which the goodwill is allocated. 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. If the actual cash flows are lower than estimated, future impairments may be necessary.

Impairment of property, plant and equipment

The group determines whether property, plant and equipment is 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.

Note 11 describes the assumptions used in the impairment testing of property, plant and equipment together with an analysis of the sensitivity to changes in key assumptions.

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.

Derivative financial instruments and hedge accounting

Estimates are required when calculating the fair value of the company's interest rate swaps. Note 20 describes the key assumptions and valuation model inputs used in the determination of these fair values.

Business combinations

For the business combination the assets acquired and liabilities assumed have been valued at fair value. This requires a number of estimates with the details on the fair valuation being disclosed in note 13.

3. Revenue

Revenue, which is stated net of value added tax, is derived from the provision of goods and services in the United Kingdom which fall within the group's continuing ordinary activity. The principal business activity is the management of securitised public houses. Revenue is analysed as follows:

	52 weeks to 1 May 2016 £m	52 weeks to 3 May 2015 £m
Goods	629.0	615.8
Services	59.4	61.0
	688.4	676.8

Revenue from services includes rent receivable from licensed properties of £31.1m (2015: £32.5m).

4. Exceptional items

	52 weeks to 1 May 2016 £m	52 weeks to 3 May 2015 £m
Net impairment of property, plant and equipment (note 11)	24.2	16.7
Net profit on disposal of property, plant and equipment	(20.7)	(1.3)
Insurance proceeds	(0.5)	(0.1)
	3.0	15.3

During the period the group recognised a net impairment loss of £24.2m (2015 - £16.7m) in respect of its licenced estate. This is comprised of an impairment charge of £58.3m (2015: £16.7m) and reversal of previously recognised impairment losses of £34.1m (2015: £nil). The impairment charge includes £1.4m in respect of properties damaged by fire in the year. The remaining impairment charge has been recognised in respect of a small number of pubs and is driven by changes in the local competitive and trading environment at the respective sites, and changes to estimates of fair value less costs of disposal. In addition to this impairment, reversals have been recognised following an improvement in trading performance and an increase in amounts of estimated future cash flows for previously impaired sites or increases to fair value less costs of disposal.

In the period, the group received further insurance compensation to meet the costs of restoring sites fire damaged in a previous period totalling £0.5m (2015: £0.1m).

The net profit on disposal of property, plant and equipment and goodwill of £20.7m (2015 - £1.3m profit) comprises a total profit on disposal of £29.0m (2015 - £6m) and a total loss on disposal of £8.3m (2015 - £5m).

5. Operating profit before exceptional items

	52 weeks to 1 May 2016 £m	52 weeks to 3 May 2015 £m
Operating profit is stated after charging:		
Operating lease rentals – minimum lease rentals	1.1	0.9
Depreciation of owned tangible fixed assets (note 11)	34.6	34.8

The auditor's remuneration for the period of £15,000 (2015: £15,000) has been borne by another group company. There were no non-audit services provided by the auditors (2015: none).

6. Employment costs

During the period the group paid £147.2m (2015 - £138.5m) to Greene King Brewing and Retailing Limited, a fellow group undertaking. This payment was to procure the secondment of employees from two other companies, Greene King Services Limited and Greene King Retail Services Limited, both of whom are fellow subsidiaries of Greene King plc.

The average number of employees (including executive directors) seconded during the period was as follows:

	52 weeks to 3 May 2016 No.	53 weeks to 4 May 2015 No.
Retailing	14,955	14,793

The figure above includes 7,719 (2015 – 9,355) part-time employees.

Pension contributions in respect of the employees working for the company are borne by fellow group undertakings mentioned above.

The directors who held office during the period were also directors of fellow company undertakings. Total emoluments, including any pension contributions, received by these directors totals £4.3m (2015 - £4.3m) paid by the ultimate parent company or other group undertakings. The directors do not believe that it is practicable to apportion this amount between qualifying services as directors to the company and of fellow company undertakings. The number of directors who received or exercised share options from Greene King plc during the period was 5 (2015 - 7).

7. Finance income

	52 weeks to 1 May 2016 £m	52 weeks to 3 May 2015 £m
Interest receivable	0.5	0.4

8. Finance costs

	52 weeks to 1 May 2016 £m	52 weeks to 3 May 2015 £m
Interest payable on bond finance	50.0	51.1
Amounts payable on interest rate swap agreements related to bond finance	27.2	28.6
Subordinated loans from group undertakings	49.1	49.1
	126.3	128.8

9. Taxation

	52 weeks to 1 May 2016 £m	52 weeks to 3 May 2015 £m
Current income tax		
UK Corporation tax	9.1	6.2
Adjustment in respect of prior periods	(0.2)	-
	8.9	6.2
Deferred taxation		
Origination and reversal of timing differences in the period	(22.5)	8.2
Adjustment in respect of prior periods	-	(0.3)
Tax credit in respect of rate change	(5.1)	-
	(27.6)	7.9
Tax (credit) / charge in the income statement	(18.7)	14.1

Reconciliation of tax (credit)/charge for period

The tax expense in the income statement is lower than (2015 - higher) than the standard rate of corporation tax of 20.0% (2015 - 20.9%). The differences are explained below:

	52 weeks to 1 May 2016 £m	52 weeks to 3 May 2015 £m
Profit on ordinary activity before tax	36.1	12.9
Profit on ordinary activity multiplied by standard rate corporation tax in the UK of 20.0% (2015 - 20.9%)	7.2	2.7
Effects of:		
Expenses not deductible for tax purposes	6.0	4.4
Tax relief on disposal of properties	(4.2)	(0.3)
Adjustment in respect of prior periods	(0.2)	(0.3)
Deferred tax (credit)/charge in respect of licensed estate	(22.4)	9.2
Deferred tax credit in respect of rate change	(5.1)	-
Group relief received for nil consideration	-	(1.6)
	(18.7)	14.1

During the period a deferred tax credit of £2.3m (2015: debit of £13.0m) has been recognised in the Statement of other comprehensive income relating to the net losses on cash flow hedges taken to equity.

Factors that may affect future tax charges

The Finance Act (No.2) 2015 reduced the corporation tax rate from 20% to 19% from 1 April 2017 and to 18% from 1 April 2020. These reductions had been substantively enacted at the balance sheet date and are therefore included in these financial statements.

The net deferred tax asset has been calculated using the rates at which each timing difference is expected to reverse. The effect of these rate reductions is to increase the net deferred tax asset by £0.4m comprising a credit to the income statement of £5.1m and a debit to the statement of changes in equity of £4.7m.

In addition, the Finance Bill 2016 further reduces the rate of corporation tax to 17% from April 2020. This further reduction had not been substantively enacted at the balance sheet date so is not included in these financial statements. However, it will reduce the net deferred tax asset at the balance sheet date by a further £1.1m and the income tax charge in future periods.

10. Goodwill

	£m
Cost	
At 4 May 2014	269.3
Acquisitions	5.0
Disposals	(2.3)
At 3 May 2015	272.0
Acquisitions	5.0
Disposals	(5.6)
At 1 May 2016	271.4
Net book value	
At 1 May 2016	271.4
At 3 May 2015	272.0
At 4 May 2014	269.3

The group's goodwill is allocated over the total pub estate. Goodwill disposed of in the period is measured based on the relative values of the operation disposed of and the estate retained.

The recoverable amount was determined on a value-in use basis, using cash flow projections based on one year budgets approved by the board, and in all cases exceeded the carrying amount.

The key assumptions used in the value-in-use calculations, the pre-tax discount rate and the growth rate used to extrapolate cash flows beyond the budgeted period.

Budgeted EBITDA is based on past experience adjusted to take account of the impact of expected changes to sales prices, volumes, business mix and margin, based on the current estate and committed capital expenditures.

Cash flows are discounted at 8.65% (2015: 9.0%) which is used as an approximation for the risk-adjusted discount rate of the relevant operating segment. A growth rate of 1.75% in Pub Company (2015: 1.0%) and 2.5% in Pub Partners (2015: 1.0%) giving a blended rate of 2.37% has been used to extrapolate cash flows. The growth rate is below the long-term average growth rate for the industry and reflects trends in trading performance.

Further details of the adjustments to goodwill following conversion to IFRS are included in note 31.

Sensitivity to changes in assumptions

The calculation is most sensitive to changes in the assumptions used for budgeted cash flow, pre-tax discount rate and growth rate. Management consider that reasonable possible changes in assumptions would be an increase in discount of 1% point, a reduction in growth rate of 1% point or a 10% reduction in budgeted cash flow. As an indication of sensitivity, when applied to the value-in-use calculation none of these changes would have resulted in an impairment of goodwill in the period.

11. Property, plant and equipment

	Land and buildings £m	Fixtures, fittings and equipment £m	Total £m
Cost			
At 4 May 2014	1,346.2	313.6	1,659.8
Additions	37.9	22.6	60.5
Acquisitions	46.3	27.6	73.9
Transfers to assets held for sale	(0.7)	(0.1)	(0.8)
Disposals	(28.1)	(3.4)	(31.5)
At 3 May 2015	1,401.6	360.3	1,761.9
Additions	28.8	29.4	58.2
Acquisitions (note 13)	23.9	14.3	38.2
Transfers to assets held for sale	(0.6)	(0.2)	(0.8)
Disposals	(38.3)	(4.6)	(42.9)
At 1 May 2016	1,415.4	399.2	1,814.6
Depreciation			
At 4 May 2014	121.0	188.7	309.7
Charge for the period	4.6	30.2	34.8
Impairment	16.7	-	16.7
Transfers to assets held for sale	(0.4)	-	(0.4)
Disposals	(20.1)	(3.6)	(23.7)
At 3 May 2015	121.8	215.2	337.1
Charge for the period	5.3	29.3	34.6
Impairment (net)	24.2	-	24.2
Transfers to assets held for sale	(0.1)	(0.1)	(0.2)
Disposals	(14.5)	(2.7)	(17.2)
At 1 May 2016	136.7	241.7	378.4
Net book value			
At 1 May 2016	1,278.7	157.4	1,436.1
At 3 May 2015	1,279.8	145.0	1,424.8
At 4 May 2014	1,225.2	124.9	1,350.1
The net book value of land and buildings may be further analysed as follows:			
		2016 £m	2015 £m
Freehold		1,210.3	1,215.8
Long term leasehold properties		68.4	64.0
		1,278.7	1,279.8

Impairment

During the period £24.2m of impairment losses (2015: £16.7m) were recognised in the income statement as exceptional administrative expenses. This is comprised of an impairment charge of £58.3m (2015: £16.7m) and reversal of previously recognised impairment losses of £34.1m (2015: nil). The recoverable amount for assets impaired was based on value in use of £35.8m and fair value less cost of disposal of £65.5m. The recoverable amount for assets with impairment reversal was based on value in use of £150.1m and fair value less cost of disposal of £3.7m.

The group 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.

11. Property, plant and equipment (continued)

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 8.65% (2015: 9.0%) and the projected cash flows extrapolated using an average growth rate of 1.75% in Pub Company (2015: 1.0%) and 2.50% in Pub Partners (2015: 1.0%) which are below the long-term average growth rate for the industry and reflect 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 an external valuation with the latest valuation being performed in 2015/2016. 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 IFRS13 Fair Value Measurement. As they use significant unobservable inputs they are classified within Level 3 of the fair value hierarchy. This hierarchy is further explained in note 20.

The impairment charge recognised in relation to a 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. The impairment reversals have been recognised following an improvement in trading performance and an increase in amounts of estimated future cash flows for previously impaired sites.

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:

	2016 £m	2015 £m
Increased impairment resulting from a 10% reduction in fair value less cost of disposal	9	5
Increased impairment resulting from a 1% increase in discount rate	12	4
Increased impairment resulting from a 1% reduction in growth rate	12	4

12. Property, plant and equipment held for sale

At the period end, tangible fixed assets held for sale of £0.6m (2015 - £0.4m) represents pubs that are being actively marketed for sale with expected completion dates within one year. The value of tangible fixed assets held for sale represents the expected net disposal proceeds. The impairment reversal on reclassification to assets held for sale for these sites was £0.1m (2015 - nil), and is included as an exceptional item (see note 4).

13. Business combinations

On 1 May 2016 the company acquired 11 sites from Greene King Brewing and Retailing Limited, a fellow group undertaking for consideration of £40.9m settled in cash.

The fair value of the identifiable assets and liabilities acquired as at the date of acquisition were: property plant and equipment of £38.2m, inventory of £0.2m, other payables, including accruals of £2.6m and other receivables, including prepayments of £0.1m. The fair value review of the property plant and equipment was carried out by qualified surveyors employed by the Greene King plc group. Goodwill arising on acquisition was therefore £5.0m as disclosed in note 10. Goodwill has arisen due to deferred tax and the differences between property portfolio value and individual pubs values.

From the date of acquisition to 1 May 2016 the acquired sites contributed revenue of nil and operating profit of nil to Greene King Retailing Parent Limited.

14. Inventories

	2016 £m	2015 £m
Finished goods for resale	7.2	7.4

During the period the company recognised £222.7m (2015: £220.6m) cost of stocks as an expense within cost of sales. The difference between the purchase price or production cost of finished goods and their replacement cost is not considered to be material.

15. Trade and other receivables - current

	2016 £m	2015 £m
Trade debtors	7.5	8.3
Other debtors	1.6	1.5
	9.1	9.8

Trade and other receivables are non-interest bearing.

16. Cash and cash equivalents

	2016 £m	2015 £m
Cash at bank and in hand	109.1	34.3

17. Trade and other payables - current

	2016 £m	2015 £m
Taxation and social securities	4.4	1.7
Accruals	42.3	43.3
Amounts owed to fellow company undertakings		
Trade creditors	49.3	169.2
Accrued interest on subordinated loan (see note 20)	210.3	8.9
	306.3	223.1

Trade creditors and other payables are non-interest bearing. Interest payable is mainly settled quarterly throughout the year, in accordance with the terms of the related financial instrument.

During the year an agreement was reached between fellow group undertakings, whereby £169.6m of interest paid previously under the subordinated loan have been used to settle outstanding trade payables.

18. Trade and other payables – non-current

	2016 £m	2015 £m
Amounts owed to fellow company undertakings		
Subordinated loans	393.7	393.7

The subordinated loan is not repayable until all other borrowings have been repaid. This is currently scheduled to be December 2036. Interest accrues at 12.5% per annum and can only be paid if the group meets its financial covenants.

19. Borrowings

	Current £m	2016 Non-current £m	Total £m
Securitised debt with Greene King Finance plc			
Term Advances A1	9.5	104.3	113.8
Term Advances A2	5.4	232.5	237.9
Term Advances A3	12.0	61.4	73.4
Term Advances A4	-	258.9	258.9
Term Advances A5	7.8	235.1	242.9
Term Advances AB1	-	60.0	60.0
Term Advances B1	-	120.9	120.9
Term Advances B2	-	99.9	99.9
	34.7	1,173.0	1,207.7
Deferred issue costs	(0.5)	(6.4)	(6.9)
	34.2	1,166.6	1,200.8

	Current £m	2015 Non-current £m	Total £m
Securitised debt with Greene King Finance plc			
Term Advances A1	9.4	113.8	123.2
Term Advances A2	4.7	238.0	242.7
Term Advances A3	11.4	73.5	84.9
Term Advances A4	-	258.9	258.9
Term Advances A5	7.4	242.8	250.2
Term Advances AB1	-	60.0	60.0
Term Advances B1	-	120.9	120.9
Term Advances B2	-	99.9	99.9
	32.9	1,207.8	1,240.7
Deferred issue costs	(0.5)	(7.0)	(7.5)
	32.4	1,200.8	1,233.2

Securitised debt

Greene King Finance plc had issued various tranches of bonds totalling £1,500.0m, in connection with the securitisation of 1,474 of Greene King plc group's pubs held by Greene King Retailing Limited. Greene King Retailing Limited has issued Term advances to Greene King Finance plc with similar terms to the bonds issued by Greene King Finance plc. The bonds are secured over the properties and their future income streams.

The securitisation is governed by various covenants, warranties and events of default, many of which apply to the group. These include covenants regarding the maintenance and disposal of properties and restrictions on its ability to move cash outside of Greene King Retailing Limited.

20. Financial instruments

The primary treasury objectives of the group are to identify and manage the financial risks that arise in relation to underlying business needs, and provide secure and competitively priced funding for the activities of the group. If appropriate, the group uses financial instruments and derivatives to manage these risks.

The principal financial instruments held for the purpose of raising finance for operations are securitised loans with Greene King Finance plc and a subordinated loan with Greene King plc.

Derivative financial instruments, principally interest rate swaps, are used to manage the interest rate risks related to the group's operations and financing sources. No speculative trading in derivative financial instruments is undertaken.

The main risks from the group's financial instruments are interest rate risk, liquidity risk and credit risk. The policy for managing each of these risks is set out below.

Interest rate risk

Exposure to changes in interest rates on the group's borrowings is reviewed with regard to the maturity profile and cash flows of the underlying debt. The group uses a mixture of fixed and floating interest rate debt with exposure to market interest rate fluctuations primarily arising from the floating rate instruments. The group's policy is to keep 100% of its variable rate bond finance at fixed rates of interest to mitigate the interest rate risk, this is done through the use of interest rate swaps. At the period end 100% of variable rate bond finance were fixed after taking account of interest rate swaps.

	Repayment date	Nominal interest rate	Nominal value 2016 £m	Carrying value net of deferred issue costs 2016 £m
Securitised debt with Greene King Finance plc				
Term Advances A1	2012 to 2031	Variable	113.8	112.7
Term Advances A2	2005 to 2031	5.32%	237.9	235.7
Term Advances A3	2006 to 2021	Variable	73.4	72.6
Term Advances A4	2021 to 2034	5.11%	258.9	257.6
Term Advances A5	2008 to 2033	Variable	242.9	242.9
Term Advances AB1	2033 to 2036	Variable	60.0	60.0
Term Advances B1	2031 to 2034	5.70%	120.9	120.0
Term Advances B2	2034 to 2036	Variable	99.9	99.3
			1,207.7	1,200.8

The interest on the A1, A3, A5, AB1 and B2 Term Advances is payable at three month sterling LIBOR plus a margin of 0.95%, 1.25%, 2.5%, 5.25% and 2.08% respectively. Repayment is made on quarterly dates within the date ranges shown above.

Hedging

The company's policy is to hedge exposure to interest rate risk. Gains and losses on instruments used for hedging are not recognised until the exposure that is being hedged is recognised.

At 1 May 2016 the company held 5 (2015: 5) interest rate swap contracts for a nominal value of £590m (2015: £618m), entered into as part of the securitisation and subsequent securitisation taps.

A fair value liability of £249m (2015: £236m) has been recognised on the balance sheet in respect of these contracts which are designated cash flow hedges against £590m (2015: £618m) of variable rate bonds, receiving a variable rate of interest based on LIBOR and paying a weighted average fixed rate of 7.4% (2015: 7.3%). The contract maturity dates range from September 2021 to March 2036. The bonds and interest rate swaps have the same critical terms excluding credit risk.

Changes in cash flow hedge fair values are recognised in the hedging reserve to the extent that the hedges are effective. The interest rate swaps have been assessed as highly effective during the period and are expected to remain highly effective over their remaining contract lives.

20. Financial instrument (continued)

In accordance with IFRS 7, the group has undertaken sensitivity analysis on its financial instruments which are affected by changes in interest rates. This analysis has been prepared on the basis of a constant amount of net debt, a constant ratio of fixed to floating interest rates, and on the basis of the hedging instruments in place at 1 May 2016 and 3 May 2015. The analysis relates only to balances at these dates and is not representative of the year as a whole. The following assumptions were made:

- Balance sheet sensitivity to interest rates applies only to derivative financial instruments, as the carrying value of debt and deposits does not change as interest rates move.
- Gains and losses are recognised within equity or the income statement in line with the accounting policies of the group.
- Cash flow hedges were assumed to be effective or ineffective on the same basis as those as at the year end.

Based on the group's net position at the year end, a 1% increase or decrease in interest rates would change the group's other comprehensive income by £82.9m (2015: £87.6m).

Whilst cash flow interest rate risk is largely eliminated, the use of fixed rate borrowings and derivative financial instruments exposes the group to fair value interest rate risk such that the group would not significantly benefit from falls in interest rates and would be exposed to unplanned costs, such as break costs, should debt or derivative financial instruments be restructured or repaid early.

Liquidity risk

The group mitigates liquidity risk by managing cash generated by its operations combined with long-term debt. The group also monitors the maturity of financial liabilities to avoid the risk of a shortage of funds. The standard payment terms that the group has with its suppliers is 60 days following month end (2015: 60 days). Excess cash used in managing liquidity is placed on interest-bearing deposit with maturities fixed at no more than 1 month.

The table below summarises the maturity profile of the company's financial instruments at 1 May 2016 and 3 May 2015 based on contractual undiscounted payments including interest.

Period ended 1 May 2016	Within one year £'000	One to two years £'000	Two to five years £'000	More than five years £'000	Total £'000
Subordinated loan:					
- Capital	-	-	-	393,670	393,670
- Interest	-	-	-	1,195,127	1,195,127
	-	-	-	1,588,797	1,588,797
Term loans:					
- Capital	34,772	36,766	123,395	1,012,795	1,207,728
- Interest	49,376	49,466	143,315	416,536	658,693
	84,148	86,232	266,710	1,429,331	1,866,421
Interest rate swaps settled net	26,058	23,714	63,016	164,045	276,833
	110,206	109,946	329,726	3,182,173	3,732,051
Period ended 3 May 2015	Within one year £'000	One to two years £'000	Two to five years £'000	More than five years £'000	Total £'000
Subordinated loan:					
- Capital	-	-	-	393,670	393,670
- Interest	-	-	-	1,043,060	1,043,060
	-	-	-	1,436,730	1,436,730
Term loans:					
- Capital	32,893	34,772	116,723	1,056,233	1,240,621
- Interest	46,935	48,107	146,452	416,119	657,613
	79,828	82,879	263,175	1,472,352	1,898,234
Interest rate swaps settled net	27,301	23,544	53,702	162,471	267,018
	107,129	106,423	316,877	1,634,823	2,165,252

20. Financial instrument (continued)**Credit risk**

Financial assets include cash and cash equivalents and trade receivables. Credit risk is the risk of default by the counterparty to discharge their obligation and the maximum exposure of the group is the carrying amount on these instruments. The credit risk on cash and cash equivalents is limited by investment of surplus funds with banks and financial institutions with high credit ratings assigned by international credit agencies.

The policy for third party trading is that all customers who wish to trade on credit terms are subject to regular credit verification procedures. Receivable balances are also monitored on an ongoing basis and provided against where deemed necessary to limit the exposure to bad debts to a non-significant level.

Capital risk management

Debt and equity are considered to be the group's capital. The Greene King group monitors capital using free cash flow debt service coverage and EBITDA debt service coverage. For the period to 1 May 2016 the free cash flow to debt service coverage ratio was 1.5 times and the EBITDA to debt service ratio was 1.8 times.

Fair values

Set out below is a comparison of carrying amounts and fair values of all of the company's financial instruments:

		1 May 2016		3 May 2015	
	Hierarchical classification	Fair value £'m	Carrying value £'m	Fair value £'m	Carrying value £'m
Financial liabilities:					
Securitised debt with Greene King Finance plc	1	(1,208.2)	(1,200.8)	(1,296.5)	(1,233.2)
Derivative financial instruments	2	(249.2)	(249.2)	(235.7)	(235.7)
Subordinated loan	2	(393.7)	(393.7)	(393.7)	(393.7)
Trade creditors	2	(49.3)	(49.3)	(169.2)	(169.2)
Accruals	2	(42.3)	(42.3)	(43.3)	(43.3)
Interest payable on subordinated loan	2	(210.3)	(210.3)	(8.9)	(8.9)
Financial assets					
Cash and cash equivalents	2	109.1	109.1	34.3	34.3
Trade receivables	2	7.5	7.5	8.3	8.3

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced liquidation or sale. The following methods and assumptions were used to estimate the fair values:

- The fair value of the securitised debt with Greene King Finance plc is considered to be the same as the bond finance issued by that entity given the proceeds of the issues of bond finance are lent to Greene King Retailing Limited as part of a securitisation of a portion of Greene King plc group's pubs business. The maturity dates and loan payment dates of the term advances correspond to the terms of the relevant class of bonds. These fair values are based on quoted market prices.
- Interest rate swaps are valued by discounting all future cash flows by the market yield curve at the balance sheet date and adjusting for, where appropriate, the company's and counterparty credit risk. The changes in credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships.

The fair value of other financial assets and liabilities are not materially different from their carrying value.

Hierarchical classification of financial assets and liabilities measured at fair value

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

The classification uses the following three-level hierarchy:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3 – techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

During the periods ending 1 May 2016 and 3 May 2015 there were no transfers between levels 1, 2 or 3 fair value measurements.

21. Deferred taxation

	£m	
At 4 May 2014		(4.2)
Charged to income statement		(7.9)
Credited to equity		13.0
Arising on business combinations		(5.0)
At 3 May 2015		(4.1)
Credited to income statement		27.6
Charged to equity		(2.3)
Arising on business combinations		(2.1)
At 1 May 2016		19.1
	2016	2015
	£m	£m
Deferred tax liability		
Accelerated capital allowances	(14.2)	(15.8)
Rolled over gains and property revaluation	(11.5)	(35.4)
	(25.7)	(51.2)
Deferred tax asset		
Derivatives	44.8	47.1
Net deferred tax asset / (liability)	19.1	(4.1)

Deferred tax assets and liabilities have been offset as follows:

	2016	2015
	£m	£m
Deferred tax liability	(25.7)	(51.2)
Offset against deferred tax assets	14.2	15.8
Deferred tax liability	(11.5)	(35.4)
Deferred tax asset	44.8	47.1
Offset against deferred tax liabilities	(14.2)	(15.8)
Deferred tax asset	30.6	31.3

22. Share capital

	2016	2015
	£	£
Allotted, called up and fully paid		
1 Ordinary share of £1	1	1

The directors of the company have no rights to subscribe for additional shares in the company.

23. Reserves**Hedging reserve**

Hedging reserve adjustments arise from the movement in fair value of the group's derivative instruments used as an effective hedge, in line with the accounting policy disclosed in note 1. Amounts recycled to income are included within finance costs in the income statement.

24. Commitments under operating leases

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2016 £m	2015 £m
Within 1 year	1	1
Between 1 and 5 years	3	3
After 5 years	36	36
	40	40

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	2016 £m	2015 £m
Within 1 year	29	27
Between 1 and 5 years	89	77
After 5 years	58	45
	176	149

Future minimum rentals include £1.4m receivable in respect of non-cancellable subleases.

25. Reconciliation of operating profit to net cash inflow from operating activities

Group	2016 £m	2015 £m
Operating profit	161.9	141.1
Depreciation of property, plant and equipment	34.6	34.8
Exceptional items	3.0	15.3
EBITDA*	199.5	191.2
Decrease/(increase) in stocks	0.2	(1.4)
Decrease in receivables	0.4	1.4
Increase in payables	83.1	44.4
Net interest paid	(125.5)	(127.8)
Tax paid	(3.8)	(2.5)
Insurance proceeds	0.5	0.1
Net cash inflow from operating activities	154.4	105.4

*EBITDA represents earnings before interest, tax, depreciation, amortisation and exceptional items.

26. Analysis of net debt

Group	2016 £m	2015 £m
:		
Cash and cash equivalents	109.1	34.3
:		
Borrowings: securitised debt with Greene King Finance plc	(1,200.8)	(1,233.2)
Subordinated loan owed to group undertakings	(393.7)	(393.7)
Total debt	(1,594.5)	(1,626.9)
Net debt	(1,485.4)	(1,592.6)

27. Reconciliation of net cash flow to movement in net debt

Group	2016 £m	2015 £m
Net increase in cash in the period	74.8	18.2
Repayment of borrowings	32.9	31.1
Non cash changes in debt	(0.5)	(0.5)
Movement in net debt in the period	107.2	48.8
Opening net debt	(1,592.6)	(1,641.4)
Closing net debt	(1,485.4)	(1,592.6)

28. Related party transactions

The following table provides the total amount of transactions, which have been entered into with group undertakings for the relevant financial period:

	Net recharge of goods and services £m	Purchase of public houses (note 13) £m	Sub- ordinated loan interest paid £m	Interest rate swap interest paid £m	Bond finance interest paid £m	Amounts owed to/ (from) related parties £m
2016						
Parent	-	-	49.1	-	-	604.0
Other related parties	138.1	40.9	-	27.2	50.0	1,499.4
2015						
Parent	-	-	49.1	-	-	402.6
Other related parties	59.7	78.9	-	28.6	51.1	1,638.2

Included within the recharge of goods and services is £147.2m (2015: £138.5m) to procure the secondment of employees (see note 6).

Included within the amounts owed to the parent is the subordinated loan balance of £393.7m (2015: £393.7m) and associated interest. Included within the amounts owed to other related parties are the securitised debt with Greene King Finance Plc of £1,200.8m (2015: 1,233.2m), associated interest rate swaps of £249.2m (2015: £237.5m) and trade creditors from other group undertakings of £49.3m (2015: 169.2m).

29. Post balance sheet events

On 26 May 2016 the group issued £300m A6 bonds maturing March 2035 at a coupon of 4.0643% and £40m AB2 bonds maturing March 2036 at a coupon of 6.0552%. Both bonds were issued to Greene King Finance plc. In addition, Greene King plc advanced a further subordinated loan balance of £112.0m at an interest rate of 12.5% repayable upon repayment of the group's securitised bonds in March 2036.

£116.6m of these proceeds were used by the group to meet the mark to market amount of certain derivatives financial liabilities. These interest rate swaps had a nominal value of £302.9m and a carrying value at 1 May 2016 of £121.1m.

A further £60m was used to acquire the £60m ABI secured note issued by Greene King Finance plc from Greene King plc. In accordance with the terms of these notes following this transaction the notes were subsequently cancelled.

The remaining proceeds were used in the acquisition of 89 trading pubs from Greene King Brewing & Retailing for £308.9m.

Given the proximity of the acquisition to the date of issue of these financial statements management are yet to conclude an assessment of the fair value of the assets and liabilities acquired.

30. Ultimate parent company

At 1 May 2016, the directors consider the immediate parent undertaking and immediate controlling party of Greene King Retailing Parent Limited to be Greene King plc, a company incorporated in England and Wales.

The ultimate controlling party is also Greene King plc, a company registered in England and Wales. This is the parent undertaking of the smallest and largest group which includes the results of the company and for which group accounts are prepared. Copies of its group accounts are available from Westgate Brewery, Bury St Edmunds, Suffolk, IP33 1QT.

31. First time adoption of IFRS

For all periods up to and including the period ended 3 May 2015, the group prepared its financial statements in accordance with previously extant United Kingdom Generally Accepted Accounting Practice ('UK GAAP'). These financial statements, for the period ended 1 May 2016, are the first the group has prepared in accordance with IFRS.

Accordingly, the group has prepared group financial statements which comply with IFRS applicable for periods beginning on or after 1 January 2015 and the significant accounting policies meeting those requirements are described in the relevant notes.

In preparing these financial statements, the group has started from an opening balance sheet as at 5 May 2014, the group's date of transition to IFRS, and made those changes in accounting policies required for the first-time adoption of IFRS.

As such, this note explains the principal adjustments made by the group in restating its balance sheet as at 4 May 2014 prepared under previously extant UK GAAP and its previously published UK GAAP financial statements for the 52 weeks ended 3 May 2015.

Notes to the financial statements

for the period ended 1 May 2016

Group balance sheet	Notes	4 May 2014 As previously stated £m	4 May 2014 Effect of transition £m	4 May 2014 IFRS (as restated) £m	3 May 2015 As previously stated £m	3 May 2015 Effect of transition £m	3 May 2015 IFRS (as restated) £m
Goodwill	1	284.8	(15.5)	269.3	261.2	10.8	272.0
Property, plant and equipment	2	1,422.1	(72.0)	1,350.1	1,425.2	(0.4)	1,424.8
Deferred tax asset	4	-	17.1	17.1	-	31.3	31.3
		1,706.9	(70.4)	1,636.5	1,686.4	41.7	1,728.1
Current assets		35.8	-	35.8	54.2	-	54.2
Property, plant and equipment held for sale	2	-	72.0	72.0	-	0.4	0.4
Current liabilities	3	(212.8)	(28.5)	(241.3)	(257.7)	(26.9)	(284.6)
Net current liabilities		(177.0)	(43.5)	(133.5)	(203.5)	(26.5)	(230.0)
		1,529.9	(26.9)	1,503.0	1,482.9	15.2	1,498.1
Borrowings		(1,236.2)	3.2	(1,233.0)	(1,203.6)	2.8	(1,200.8)
Derivative financial instruments	3	-	(142.0)	(142.0)	-	(208.4)	(208.4)
Trade and other payables		(393.7)	-	(393.7)	(393.7)	-	(393.7)
Deferred tax liabilities	4	(17.2)	(3.9)	(21.1)	(15.8)	(19.6)	(35.4)
Total net liabilities		(117.2)	(169.6)	(286.8)	(130.2)	(210.0)	(340.2)
Total equity		(117.2)	(169.6)	(286.8)	(130.2)	(210.0)	(340.2)

Notes to the financial statements

for the period ended 1 May 2016

Group income statement	Notes	3 May 2015 As previously stated £m	3 May 2015 Effect of transition £m	3 May 2015 IFRS (as restated) £m
Revenue		676.8	-	676.8
Cost of sales		(220.6)	-	(220.6)
Administrative expenses	1	456.2	-	456.2
Exceptional administrative expenses		(323.1)	23.5	(299.6)
		(13.1)	(2.2)	(15.3)
Operating profit		120.0	21.3	141.3
Finance income		0.4	-	0.4
Finance costs		(128.6)	(0.2)	(128.8)
Taxation	4	(4.8)	(9.3)	(14.1)
Loss attributable to equity holders of parent		(13.0)	11.8	1.2

Explanation of changes to previously reported profit and equity:

- Goodwill was amortised over its useful economic life under UK GAAP. On transition to IFRS Goodwill is considered to have an indefinite life in accordance with IAS 38, and is tested annually for impairment in accordance with IAS 36. On transition to IFRS the group took advantage of the exemption within Appendix C of IFRS not to restate its business combinations and the carrying value of goodwill remains unchanged.

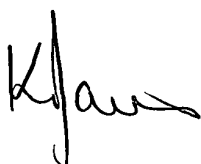
For the period ending 3 May 2015, the amortisation previously recognised under UK GAAP of £23.5m has been reversed, and £2.2m of the group's goodwill has been disposed of during the period relating to the relative value of the sites disposed and the portion of the operating segment retained.
- In accordance with IFRS 5, the group has recognised property, plant and equipment held for sale representing pubs that are being actively marketed for sale with expected completion dates within one year. See note 12 for further details.
- The group has adopted IAS 39 recognising an opening balance liability of £171m based on the fair value of the interest rate swaps held by the group, see note 20 for further details. As at 3 May 2015 the fair value of Interest rate swaps were £236m. The full movement in fair value have been recognised in the hedging reserve as the cash flow hedges have been assessed as 100% effective.
- IFRSs defines deferred tax in relation to temporary differences between carrying values and their related tax bases, rather than timing differences in the income statement, adjustments are required to recognise items for which no deferred tax was recognised under UK GAAP. As such, a deferred tax liability of £35.4m (2014 - £21.1m) in relation to rolled over gains and property revaluation. Deferred tax liabilities of £15.8m (2014 - £17.1m) have been offset against deferred tax assets.

Company balance sheet

as at 1 May 2016

	Notes	1 May 2016 £	3 May 2015 £
Fixed assets			
Investments	35	1	1
Total assets		1	1
Current liabilities			
Creditors: amounts falling due within one year			
Amounts owed to fellow group undertakings		(57,855)	(56,873)
Net current liabilities		(57,855)	(56,873)
Total assets less current liabilities		(57,855)	(56,872)
Net liabilities		(57,855)	(56,872)
Capital and reserves			
Called up share capital	36	1	1
Profit and loss account		(57,856)	(56,872)
Total equity		(57,855)	(56,872)

The financial statements were approved and authorised for issue by the board of directors and signed on its behalf on 25 August 2016 by:



K Davis
Director

Company statement of changes in equity

for the 52 week period ended 1 May 2016

	Called up share capital	Profit and loss account	Total equity
	£	£	£
As at 4 May 2014	1	(56,873)	(56,872)
Comprehensive income for the financial year			
Profit for the financial year	-	-	-
Total comprehensive income for the financial year	-	(56,873)	(56,872)
As at 3 May 2015	1	(56,873)	(56,872)
Comprehensive income for the financial year			
Loss for the financial year	-	(983)	(983)
Total comprehensive income for the financial year	-	(983)	(983)
At 1 May 2016	1	(57,856)	(57,855)

32. Accounting policies

Basis of preparation of financial statements

The financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and applicable accounting standards.

First time application of FRS 100 and FRS 101

In the current 52 weeks ended 1 May 2016, the company has adopted FRS 100 and FRS 101. In previous periods the financial statements were prepared in accordance with applicable United Kingdom Generally Accepted Accounting Practice ('UK GAAP').

This change in the basis of preparation has not materially altered the recognition and measurement requirements previously applied in accordance with UK GAAP. Consequently the principal accounting policies are unchanged from the prior period.

The change in basis of preparation has enabled the company to take advantage of some of the available disclosure exemptions permitted by FRS 101 in the financial statements, the most significant of which are summarised below. There have been no other material amendments to the disclosure requirements previously applied in accordance with UK GAAP.

In preparing these financial statements, the company has started from an opening balance sheet as at 5 May 2014, the company's date of transition to FRS 101, and made those changes in accounting policies required for the first-time adoption of FRS 101. There were no transitional adjustments in the transition from UK GAAP to FRS 101 in the opening balance sheet as at 5 May 2014, and therefore no third balance sheet has been prepared. No recognition or measurement differences resulted from the transition. Accordingly, reconciliations of equity as at the date of transition and 3 May 2015 and of total comprehensive income for the period ending 3 May 2015 have not been presented.

Financial Reporting Standard 101 – Reduced disclosure exemptions

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

- certain requirements of IFRS 7 Financial Instruments: Disclosures;
- certain requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- 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.

The basis for all of the above exemptions is because equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.

Going concern

The group's business activity, together with the factors likely to affect its future development, performance and position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposure to credit, liquidity and cash flow risk are described in the Strategic report and note 20 to the financial statements.

The directors are of the opinion that the company's forecast and projections, taking account of reasonably possible changes in trading performance and stress testing, show that the company should be able to operate within its current borrowing facilities and comply with its financing covenants.

At the balance sheet date the parent company has net current liabilities of £57,855 due to amounts payable to other group companies.

The directors have prepared the financial statements on a going concern basis as the ultimate parent company, Greene King plc, has given a formal undertaking that it will provide financial support to enable the company to meet its liabilities as they fall due, for at least twelve months from the date of signing these financial statements.

After making enquiries of the directors of Greene King plc, the directors have a reasonable expectation that the company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

31. Accounting policies (continued)**Investments**

Investments in subsidiaries are recorded at cost less impairment and held as fixed assets on the balance sheet. The carrying value of investments is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. On transition to IFRS, the previous GAAP carrying amount at the date of transition was regarded as deemed cost.

Inter-company balances

Amounts owed by or to company 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 from the balance sheet date.

33. Loss attributable to the member of the parent company

No profit or loss account is presented for the company as permitted by s408 of the Companies Act 2006. The loss after tax for the period is £983 (2015 - £nil).

34. Directors' emoluments and staff costs

The company had no employees during the period (2015 none). The directors received no remuneration (2015 £nil), during the period for their qualifying services to the company.

35. Investments

	2016 £	2015 £
Shares in subsidiaries at cost	1	1

The following were subsidiary undertakings of the company, all subsidiaries were incorporated in England and Wales:

Name of company	Principal Activity	Holding	Shares held
Directly held			
Sapphire Food North East No.1 Limited	Pub Retailing	Ordinary shares	100%
Indirectly held			
Sapphire Food North East No.1 Limited	Financing	Ordinary shares	100%
Sapphire Food South West No.2 Limited	Financing	Ordinary shares	100%
Sapphire Food North West No.3 Limited	Financing	Ordinary shares	100%
Sapphire Food South East No.4 Limited	Financing	Ordinary shares	100%
Sapphire Rural Destination No.5 Limited	Financing	Ordinary shares	100%

36. Called up share capital

Refer to note 22 to the group financial statements.