

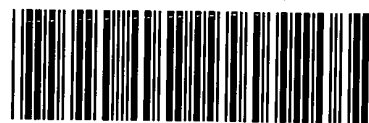
Spirit Pubs Debenture Holdings Limited

Annual Report and Financial Statements

1 May 2016

Registered number: 05266779

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Company information

Director	K Davis
Company secretary	Mrs L A Keswick
Registered number	05266779
Registered office	Westgate Brewery Bury St Edmunds Suffolk IP33 1QT
Auditor	Ernst & Young LLP One Cambridge Business Park Cambridge CB4 0WZ

Strategic report

The director presents his Strategic report for the 36 week period ended 1 May 2016.

Business review and future outlook

The principal activity of the company is that of a holding company. The principal activity of the group is that of pub retailing and the leasing of public houses.

On 23 June 2015, 100% of the ordinary share capital of Spirit Pub Company plc, the ultimate parent of the Spirit Pub Company Group, was acquired by Greene King plc. As a result of this transaction, the accounting reference date of this company was changed from 24 August to 30 April in line with other group companies, creating a 36 week accounting period for the period ended 1 May 2016. Consequently, amounts presented in these financial statements are not entirely comparable.

Following a full review of net book value (NBV) of property, plant and equipment management identified that property, plant and equipment was understated by £74.74m. Prior period impairment charges had not been allocated in prior periods to individual cash generating units (CGU's) in the group's underlying books and records. Consequently when certain impacted pubs were disposed of these impairment charges were not disposed of. In addition to this, in some instances pubs had been further impaired when this would not have been required had the previous impairment been allocated to the sites correctly. Additionally the full review identified impairments for individual CGUs that had not been processed appropriately. Furthermore, during the period a review of the application of the effective interest method in determining the carrying value of loans and borrowings was undertaken resulting in adjustments to balances at 24 August 2014 and 22 August 2015. See note 24 for further details.

The group's strategy is to improve growth through increasing its exposure to the more attractive categories in the group's markets, such as food, coffee, wine and rooms, and by increasing the level of influence and control the group has over its offers in these categories. In order to achieve this most efficiently the group 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 group 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:

	36 weeks to 1 May 2016 £000	52 weeks to 22 August 2015 £000	Change %
Revenue	474,308	699,036	-32.1%
Pre-exceptional operating profit	83,666	118,070	-29.1%
Operating profit	83,665	121,230	-31.0%
Pre-exceptional operating margin	17.6%	16.9%	
Operating margin	164,760	234,914	-29.9%
EBITDA	110,552	153,048	-27.8%
Outstanding bond issuance	780,531	788,370	-1.0%
Number of pubs at period end			
- Tenanted	409	419	-2.4%
- Managed	626	635	-1.4%

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

Revenue for the 36 week period was £474m, which annualised is £685m compared to £699m in the prior period. Pre-exceptional operating profit of £84m remained constant on an annualised basis (annualised £121m).

Principal risks and uncertainties

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

The principal risks and uncertainties facing the company are broadly grouped as – strategic risks, economic and market risks, liquidity risk, credit risk, interest rate risk, capital risk, regulatory risks and operational and people risks. These risks are managed at a group level and details can be found in the Greene King plc group accounts which are publically available.

Strategic Risks

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.

Strategic report (continued)

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.

The group 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 group continues with innovation projects, training and support for tenants.

Liquidity risk

The group is primarily financed by subordinated loans with fellow group companies of £1,216.7m (2015: £1,135.5m) and secured loan notes of £780.5m (2015: £787.5m), with 88% (2015: 90%) of the capital balance on these loan notes being repayable after more than 5 years from the balance sheet date, subject to relevant covenants being met.

Note 20 describes the financial position of the group, its liquidity position and borrowing facilities, and include the group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit and liquidity risk.

The group's borrowings are subject to restrictions on the release of excess cash and a variety of financial covenants. Failure to comply with the terms of the loan agreement could restrict the ability of the company to provide funds to meet Greene King plc's business strategy, particularly around dividends and investments, by restricting the uses to which cash could be put.

Cash flow volatility (driven by the seasonality of cash inflows) could also result in a liquidity risk.

Interest rate risk

The group is exposed to fair value interest rate risk on its fixed rate borrowings and cash flow interest rate risk on floating rate deposits, bank overdrafts and loans. The group uses interest rate derivatives to manage the mix of fixed and variable rate debt so as to reduce its exposure to changes in interest rates.

Credit risk

Financial assets include loans owed by group undertakings, cash and cash equivalents and interest receivable. Credit risk is the risk of default by the counterparty to discharge their obligation and the maximum exposure of the company is the carrying amount of these instruments.

Capital risk

The group's capital structure is made up of subordinated loan notes with fellow group companies, secured loan notes, issued share capital and reserves. The group is able to generate sufficient returns to service the debt. Debt is monitored by a variety of measures which are reported to debt providers on a quarterly basis. These include covenants regarding the maintenance and disposal of debenture properties and restrictions on its ability to move cash to other group companies and utilisation of disposal proceeds.

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 could potentially reduce demand leading to reduced revenue. Legislation impacting consumers in relation to 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 & 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 leased 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 the leased business 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.

Strategic report (continued)**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 period. 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 8 September 2016 and signed on its behalf.



K Davis
Director

Director's report

The director presents his annual report and financial statements for the 36 week period ended 1 May 2016.

Results and dividends

The loss after tax was £52m (2015 - loss of £80m) 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 were as follows:

L Bell	(resigned 26 January 2016)
D A Kelly	(resigned 26 January 2016)
J Langford	(resigned 26 January 2016)
K Davis	(appointed 21 December 2015)

None of the directors held any interest in the share capital of the company 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 leasing of public houses, and the retailing of beers, wines, spirits and soft drinks for the foreseeable future.

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 director is 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 £161m. Within the net liabilities is £1,216.7m of subordinated loans from other group companies. These loans cannot be repaid until all the securitised debt has been fully repaid.

The director has 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.

Qualifying third party indemnity provisions

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

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.

Director's 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 securitised bonds, subordinated loans from other group companies, 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.

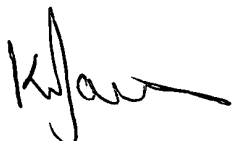
Statement as to disclosure of information to auditor

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

Ernst & Young LLP were appointed as the group's auditor to fill a casual vacancy during the year. 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 the group's auditors.



K Davis
Director

Date: 8 September 2016

Statement of director's responsibilities

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

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director must not approve the financial statements unless he is 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 director is 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 director is 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 him to ensure that the group financial statements comply with the Companies Act 2006. He is 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 Spirit Pubs Debenture Holdings Limited

We have audited the financial statements of Spirit Pubs Debenture Holdings Limited for the 36 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 37. 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 director and auditor

As explained more fully in the statement of director's responsibilities on page 6, the director is 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 (APB'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 group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the director; 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.

Basis for qualified audit opinion on the financial statements

As disclosed in note 24, the Directors have recorded the correction of a prior period error through the opening balances as at 24 August 2014 by reversing the prior impairment of tangible fixed assets by £74.74m. Due to limitations over the completeness of information available for the periods ending 24 August 2014 and 22 August 2015, the Directors have estimated that all of the prior period error relates to the opening position as at 24 August 2014. The evidence available to us to support the allocation of the prior period error completely to periods before 24 August 2014 was limited, and thus we are unable to determine whether adjustments to the results might be necessary for the comparative period ended 22 August 2015. Owing to the nature of the company's records, we were unable to obtain sufficient appropriate audit evidence regarding the allocation of the prior period error by using other audit procedures.

There is no impact of the error on the group's results for the period to 1 May 2016.

Our opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

Qualified opinion on financial statements

In our opinion, except for the possible effects of the matters described in the basis for qualified opinion on the financial statements paragraph:

- 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 its loss for the 36 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 director's 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

In respect solely of the limitation in scope related to the recording of an impairment charge and the reversal of impairment described above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records had been kept.

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:

- returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; and
- certain disclosures of director's remuneration specified by law are not made.



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

Date: 9 September 2016

Group income statement

for the 36 weeks ended 1 May 2016

	Note	36 weeks to 1 May 2016 £000	As restated 52 weeks to 22 August 2015 (Note 24) £000
Revenue	3	474,308	699,036
Cost of sales		(309,548)	(464,122)
Gross profit		164,760	234,914
Administrative expenses		(81,094)	(116,844)
Exceptional operating expenses / income	4	(1)	3,160
Operating profit	5	83,665	121,230
Finance income	8	505	804
Finance costs	9	(137,758)	(205,309)
Exceptional finance costs	4	(209)	(432)
Loss before taxation		(53,797)	(83,707)
Taxation	10	1,358	4,153
Loss attributable to equity holders of the parent		(52,439)	(79,554)

The notes on pages 14 to 41 form part of these financial statements.

Group statement of other comprehensive income
 for the 36 week period ended 1 May 2016

	Note	36 weeks to 1 May 2016	As restated 52 weeks to 22 August 2015 (Note 24)
		£000	£000
Loss for the period		(52,439)	(79,554)
Other comprehensive income			
Items that are not reclassified to profit or loss			
Revaluation of property, plant and equipment		28,443	5,526
Income tax effect		(5,649)	(1,105)
Re-measurement gains / (losses) on defined benefit schemes	26	9,183	(12,879)
Income tax effect		(2,108)	2,675
Other comprehensive income / (loss) for the period net of tax		29,869	(5,783)
Total comprehensive loss for the period net of tax		(22,570)	(85,337)

The notes on pages 14 to 41 form part of these financial statements.

Spirit Pubs Debenture Holdings Limited

Company number 05266779

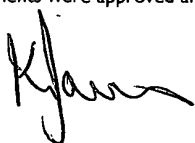
Group balance sheet

as at 1 May 2016

	Note	1 May 2016 £000	As restated 22 August 2015 £000	As restated 24 August 2014 £000
Non-current assets				
Property, plant and equipment	11	1,453,216	1,438,364	1,432,384
Trade and other receivables	15	508,891	508,603	508,188
Deferred tax assets	10	20,534	34,226	35,590
		1,982,641	1,981,193	1,976,162
Current assets				
Inventories	13	7,021	7,338	7,343
Trade and other receivables	14	276,239	266,449	248,832
Cash and cash equivalents	16	113,213	80,144	105,654
		396,473	353,931	361,829
Property, plant and equipment held for sale	12	1,453	-	1,475
		397,926	353,931	363,304
Current liabilities				
Borrowings	19	(11,258)	(10,531)	(12,446)
Trade and other payables	17	(255,685)	(261,664)	(268,042)
Income tax payable	10	(2)	(2)	-
Derivative financial instruments	20	(20,263)	(22,891)	(20,805)
Provisions	27	(12,541)	(13,289)	(13,105)
		(299,749)	(308,377)	(314,398)
Non-current liabilities				
Borrowings	19	(789,485)	(798,305)	(808,838)
Trade and other payables	18	(1,253,100)	(1,170,585)	(1,107,162)
Derivative financial instruments	20	(171,437)	(160,056)	(133,828)
Deferred tax liabilities	10	(16,494)	(13,456)	(17,559)
Provisions	27	(8,533)	(9,396)	(7,925)
Pension liability	26	(2,997)	(13,608)	(3,078)
		(2,242,046)	(2,165,406)	(2,078,390)
Total net liabilities		(161,228)	(138,659)	(53,322)
Capital and reserves				
Share capital	22	-	-	-
Share premium account	23	39,996	39,996	39,996
Revaluation reserve	23	27,215	4,421	-
Capital redemption reserve	23	153,287	153,287	153,287
Retained earnings		(381,726)	(336,363)	(246,605)
Total equity		(161,228)	(138,659)	(53,322)

The financial statements were approved and authorised for issue by the board and signed on its behalf on 8 September 2016 by:

 K Davis
Director



Group statement of changes in equity

	Share capital	Share premium	Revaluation reserve	Capital redemption reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000
As at 24 August 2014 (as previously stated)	-	39,996	(220,217)	153,287	(1,030,294)	(1,057,228)
Prior year adjustment (see note 24)	-	-	-	-	665,084	665,084
IFRS transition (see note 32)	-	-	220,217	-	118,606	338,823
As at 24 August 2014 (as restated)	-	39,996	-	153,287	(246,604)	(53,321)
Comprehensive income for the period						
Loss of the period	-	-	-	-	(79,554)	(79,554)
Revaluation of property, plant and equipment	-	-	5,526	-	-	5,526
Income tax effect	-	-	(1,105)	-	-	(1,105)
Re-measurement gains / (losses) on defined benefit schemes	-	-	-	-	(12,879)	(12,879)
Income tax effect	-	-	-	-	2,675	2,675
Total comprehensive loss for the period	-	-	4,421	-	(89,758)	(85,337)
At 22 August 2015	-	39,996	4,421	153,287	(336,362)	(138,658)
Comprehensive income for the period						
Loss of the period	-	-	-	-	(52,439)	(52,439)
Revaluation of property, plant and equipment	-	-	28,443	-	-	28,443
Income tax effect	-	-	(5,649)	-	-	(5,649)
Re-measurement gains / (losses) on defined benefit schemes	-	-	-	-	9,183	9,183
Income tax effect	-	-	-	-	(2,108)	(2,108)
Total comprehensive loss for the period	-	-	22,794	-	(45,364)	(22,570)
At 1 May 2016	-	39,996	27,215	153,287	(381,726)	(161,228)

The notes on pages 14 to 41 form part of these financial statements.

Group cash flow statement

For the 36 weeks ended 1 May 2016

	Note	1 May 2016 £000	22 August 2015 £000
Net cash inflow from operating activities	29	105,158	128,630
Cash flows from investing activities			
Purchase of property, plant and equipment		(33,790)	(51,078)
Sale of property, plant and equipment		20,611	23,932
Interest received		92	318
Net cash flow from investing activities		(13,087)	(26,828)
Cash flows from financing activities			
Interest paid		(51,164)	(115,210)
Repayment of secured loan notes		(7,838)	(12,102)
Net cash flow from financing activities		(59,002)	(127,312)
Net increase / (decrease) in cash and cash equivalents		33,069	(25,510)
Opening cash and cash equivalents		80,144	105,654
Closing cash and cash equivalents	16	113,213	80,144

I. Accounting policies

Corporate information

The financial statements of Spirit Pubs Debenture Holdings Limited for the 36 weeks ended 1 May 2016 were authorised for issue by the board on 8 September 2016. Spirit Pubs Debenture Holdings Limited is a limited company incorporated and domiciled in England and Wales.

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

Basis of preparation of financial statements and first time application of IFRS

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 36 weeks ended 1 May 2016 (prior year 52 weeks ended 22 August 2015) and in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

On 23 June 2015, 100% of the ordinary share capital of Spirit Pub Company plc, the ultimate parent of the Spirit Pub Company Group, was acquired by Greene King plc. As a result of this transaction, the accounting reference date of this company was changed from 24 August to 30 April in line with other group companies, creating a 36 week accounting period for the period ended 1 May 2016. Consequently, amounts presented in these financial statements are not entirely comparable.

For all periods up to and including the year ended 22 August 2015, the group prepared its financial statements in accordance with applicable Generally Accepted Accounting Principles in the United Kingdom ('UK GAAP'). These financial statements for the 36 weeks ended 1 May 2016 are the first the group has prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

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 32. There have been no other material amendments to the disclosure requirements previously applied in accordance with UK GAAP.

The consolidated financial statements have been prepared on a historical cost basis, except for property, plant and equipment and derivative financial instruments that have been measured at fair value. 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 (see note 2).

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Spirit Pubs Debenture Holdings Limited, its subsidiaries (listed in note 36 to the company financial statements) and its related party, Spirit Issuer plc. Spirit Issuer plc is a structured entity set up to raise bond finance for the group. As Spirit Pubs Debenture Holdings Limited has full control over the entity it is fully consolidated. The financial statements of subsidiaries are prepared for the same reporting period as the parent company.

The results of 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 that such control ceases. Intercompany transactions, balances, income and expenses are eliminated on consolidation.

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 director is 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 £161m. Within the net liabilities is £1,216.7m of subordinated loans from other group companies. These loans cannot be repaid until all the securitised debt has been fully repaid.

The director has 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.

Property, plant and equipment

Property, plant and equipment other than trading properties held under the leased operating model are stated at cost less accumulated depreciation and impairment losses.

Trading properties held under the leased operating model are measured at fair value less accumulated depreciation and impairment losses recognised at the date of revaluation. Valuations are performed professionally by independent valuers annually. A revaluation surplus is recorded in OCI and credited to the revaluation reserve in equity, except where a gain reverses a revaluation loss on the same asset that was previously recognised in profit and loss, then the surplus is recognised in profit and loss. Valuation surpluses realised on sale are transferred from the revaluation reserve to retained earnings. A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the revaluation reserve.

Freehold land is not depreciated, freehold buildings are depreciated to their estimated residual values over periods up to fifty years, long leasehold properties are depreciated to their estimated residual values over periods up to fifty years, short leasehold properties are depreciated to their estimated residual values over the remaining term of the lease and fixtures, fittings 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 profit and loss account.

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

Furthermore, 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, i.e. the cash generating unit.

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

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

Impairment losses and any subsequent reversals are recognised in the income statement unless they relate to properties for which the revaluation model is applied and the impairment (or its reversal) reverses amounts previously recognised in the revaluation reserve.

Details of the impairment losses recognised in respect of property, plant and equipment are provided in note 11.

Trade and other receivables

Trade and other 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.

Inventories

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

Intercompany balances

Amounts owed to group undertakings are classified as current liabilities unless there is a formal loan arrangement in place that specifies repayment over a period longer than one year at the balance sheet date.

Amounts owed by group undertakings are classified as non-current where required by IAS 1, even if the terms of the loan are repayable on demand.

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. For the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any outstanding bank overdrafts.

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.

Derivatives and financial instruments

The company uses derivative financial instruments such as interest rate swaps to hedge its risk associated with interest rate fluctuations on its variable secured loan 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 and the movement is recognised in the income statement unless hedge accounting is adopted. Cash payments or receipts made are recognised in interest payable on secured loan notes so as to show the cash fixed rate on the secured loan notes, with the remaining fair value movement (which is generally the change in the carrying amount of the swaps) presented separately. The group does not have any derivatives that qualify for hedge accounting.

Trade and other payables

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

Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation.

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

Pensions

The group provides funding for the defined benefit pension scheme Spirit Group (Legacy) Pension Scheme (SGLPS) which is operated by a fellow group undertaking. The cost of providing benefits under the scheme is determined using the projected unit credit actuarial method on an annual basis. The current service cost is charged to operating profit. Any remeasurement gains and losses are recognised in full in the group statement of comprehensive income in the period in which they occur.

When a settlement or curtailment occurs the obligation and related scheme assets are measured and the resulting gain or loss is recognised in the income statement in the same period.

Net interest on the net defined benefit liability/(asset) is determined by multiplying the net defined benefit liability/(asset) by the discount rate both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability/(asset) during the period as a result of contributions and benefit payments.

The defined benefit asset or liability recognised on the balance sheet comprises the present value of the scheme's obligations less the fair value of scheme assets. Defined benefit assets are restricted to the extent that they are considered recoverable.

Revenue

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 group 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.

Interest-bearing loans and borrowings

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

Interest costs and income

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

Finance leases: lessee

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

Operating leases: lessee

Leases where the lessor retain substantially all the risks and benefits of ownership are classified as operating leases. Lease payments are recognised as an expense in the income statement on a straight line basis over the period of the lease.

Income taxation

The income tax charge 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 in OCI and equity are recognised in OCI and equity respectively.

Deferred taxation

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 assets and deferred tax liabilities are offset when there is a legally enforceable right to offset income tax assets and income tax liabilities and they relate to the same taxable entity and same tax authority and when it is the intention to settle the balances on a net basis.

Deferred tax relating to items recognised in OCI and equity is recognised in OCI and equity respectively.

Exceptional items

The group has elected to classify certain items as exceptional and present them separately on the face of the income statement. Exceptional items are classified as those which are separately identified by virtue of their nature, size or expected frequency, to allow a better understanding of the financial performance in the period.

New standards and interpretations not applied

As at the date of approval of the financial statements there are a number of standards and interpretations issued by the IASB and IFRIC with an effective date after the date of these financial statements and which have not been early adopted by the group. These are expected to be applied as follows:

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments was first issued in November 2009 and has since been amended several times. A complete version of the standard was issued in July 2014 and is a replacement of IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 covers the classification, measurement and derecognition of financial assets and financial liabilities, together with a new hedge accounting model and the new expected credit loss model for calculating impairment. The new

standard becomes effective for annual periods beginning on or after 1 January 2018, subject to EU adoption. The group is currently considering the impact of IFRS 9 on its consolidated results and financial position.

IFRS 15 Revenue from contracts with customers

The IASB issued IFRS 15 Revenue from contracts with customers in May 2014. The new standard provides a single, five-step revenue recognition model, applicable to all sales contracts, which is based upon the principle that revenue is recognised when the control of goods or services is transferred to the customer. This standard replaces all existing revenue recognition guidance under current IFRS and becomes effective for annual periods beginning on or after 1 January 2018. The group is currently considering the impact of IFRS 15 on its consolidated results and financial position.

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16, Leases which requires lessees to recognise assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS 17 Leases. The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new standard, IFRS 15, Revenue from Contracts with Customers, has been applied, or is applied at the same date as IFRS 16. The group is currently considering the impact of adopting IFRS 16 on its consolidated results and financial position. Other standards and interpretations that are relevant to the group have been assessed as having no significant financial impact or additional disclosure requirements at this time.

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:

Impairment of property, plant and equipment

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

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.

Pension liabilities

The present value of pension liabilities are determined on an actuarial basis and depend on a number of actuarial assumptions which are disclosed in note 26. Any change in these assumptions will impact on the carrying amount of pension liabilities. Note 26 describes the key assumptions used in the accounting for retirement benefit obligations.

Property provisions

The group provides for its onerous obligations under operating leases where the property is closed or vacant and for properties where rental expense is in excess of income. The estimates timings and amounts of cash flows are determined using the experience of internal and external property experts. However, changes to the expected method of exiting from the obligation could lead to changes in the level of provision recorded. See note 27 for details.

Derivative financial instruments

Estimates are required when calculating the fair value of the company's interest rate swaps. Note 19 describes the key assumptions and valuation model inputs used in the determination of these values.

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.

Property valuations

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

Effective interest rate

When calculating the effective interest rate (EIR) to apply to an asset or liability held at amortised cost, the group estimates future cash flows considering all contractual terms of an instrument. In the case of the subordinated loans to group undertakings, the future cash flows arising from the liability depends on the performance of underlying pubs within the debenture structure, timing of interest payments and expected maturities of the group's secured loans. Therefore, it follows that management is required to apply significant judgment in creating assumptions about the value of these variables in the future. The latest forecast assumes all future cashflows occurring at the end of the term of the subordinated loan in 2034.

3. Revenue

	36 weeks to 1 May 2016 £000	52 weeks to 22 August 2015 £000
Class of business		
Drink revenue	258,064	377,830
Food revenue	178,129	264,384
Rental income	13,534	18,550
Other revenue	24,581	38,272
	474,308	699,036

4. Exceptional items

	36 weeks to 1 May 2016 £000	52 weeks to 22 August 2015 £000
Included within administrative expenses:		
Movement on property liabilities	3	(2,207)
VAT repayable	-	(1,306)
Revaluation of property, plant and equipment	(973)	(6,633)
Impairment of property, plant and equipment	(2,623)	-
Profit on disposal of property, plant and equipment	3,592	13,306
	(1)	3,160
Included within finance costs:		
Interest on VAT repayable	(209)	(432)
	(209)	(432)

VAT repayable

In the prior year, represents the amount represents VAT due on employee cost recharges in relation to prior years.

5. Operating profit before exceptional items

	36 weeks to 1 May 2016 £000	52 weeks to 22 August 2015 £000
Operating profit is stated after charging/(crediting):		
Depreciation of property, plant and equipment (note 11)	26,886	34,978
Operating lease rentals	25,737	39,139
Products sold recognised as an expense	139,663	209,550

6. Auditor's remuneration

The auditor's remuneration for the period for the audit of the financial statements of the group and company of £15,000 (2015: £15,000) has been borne by another group undertaking. Furthermore, the auditor's remuneration for the period for the audit of the subsidiaries of the group of £30,000 (2015: £30,000) has also been borne by another group undertaking.

There were no non-audit services provided by the auditors (2015: none) to the group.

7. Employment costs

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

The directors who held office during the period were also directors of fellow company undertakings. Total emoluments, including any pension contributions, received by these directors totals £250,000 (also being the highest paid director) 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 during the period was 1.

8. Finance income

	36 weeks to 1 May 2016 £000	52 weeks to 22 August 2015 £000
Bank interest	166	389
Interest receivable from group undertakings	288	415
Net interest from defined benefit schemes	51	-
	505	804

The interest receivable from group undertakings relates to financial assets at amortised cost.

9. Finance costs

	36 weeks to 1 May 2016 £000	52 weeks to 22 August 2015 £000
Interest payable to group undertakings	552	-
Unwinding of discounting effect of provision	387	711
Finance leases and hire purchase contracts	739	1,072
Other interest payable	8	71
Interest payable on secured loan notes	41,043	60,460
Movement in fair value of interest rate swaps	8,753	28,314
Subordinated loan interest payable to group undertakings	86,276	114,681
	137,758	205,309

During the period a review of the effective interest method in determining the carrying value of loans and borrowings was undertaken resulting in adjustments to balances at 24 August 2014 and 22 August 2015 (see note 24).

Within interest payable on secured loan notes, cash payments of £14,876,000 (2015: £20,904,000) relating to interest rate swaps are included. Interest payable on bond finance and subordinated loan interest relates to finance liabilities at amortised cost.

10. Taxation

	36 weeks to 1 May 2016 £000	52 weeks to 22 August 2015 £000
Current income tax		
UK Corporation tax	2	2
Adjustment in respect of prior periods	(4,529)	(1,704)
Credit in respect of group relief	(5,804)	(1,282)
	(10,331)	(2,984)
Deferred taxation		
Origination/reversal of temporary differences in the period	9,344	(250)
Effect of changes in tax rates and laws	(636)	(139)
Deferred tax adjustments arising in previous periods	265	(780)
	8,973	(1,169)
Tax expense / (credit) in the income statement	(1,358)	(4,153)

Reconciliation of tax expense / (credit) for period

The tax expense in the income statement is higher (2015 - higher) than the standard rate of corporation tax of 20.0% (2015 - 20.6%). The differences are explained below:

	36 weeks to 1 May 2016 £000	52 weeks to 22 August 2015 £000
Loss before tax	(53,797)	(83,707)
Loss multiplied by standard rate corporation tax in the UK of 20.0% (2015 - 20.6%)	(10,759)	(17,244)
Effects of:		
Expenses/(income) not deductible/taxable for tax purposes	621	(6)
Adjustment in respect of prior periods	(4,264)	(2,484)
Impact of worldwide debt cap	(5,812)	-
Profit on disposal of property, plant and equipment	(718)	(2,691)
Transfer pricing adjustments	20,437	23,626
Deferred tax in respect of licenced estate	(211)	(5,500)
Group relief for nil consideration	(16)	-
Effects of tax rates and laws	(636)	146
	(1,358)	(4,153)

Factors that may affect future tax charges

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

In addition the Finance Bill 2016 further reduces the rate of corporation tax to 17% from 1 April 2020. This further reduction had not been substantively enacted at the balance sheet date so it not included in these financial statements. However, it will further reduce the income tax charge in future periods.

Income tax payable

	2016 £000	2015 £000
Due within one year		
Income tax payable	2	2

Deferred taxation

	2016	2015
	£000	£000
At the beginning of the period	20,770	18,031
Charged to profit and loss	(8,973)	64
Charged to other comprehensive income	(7,757)	2,675
At the end of the period	4,040	20,770

	2016	2015
	£000	£000
The deferred tax liability is made up as follows:		
Accelerated capital allowances	(11,773)	(11,382)
Rolled over gains and property revaluation	(16,494)	(13,456)
	(28,267)	(24,838)

The deferred tax asset is made up as follows:		
Tax losses available	2,367	10,120
Interest rate swaps	25,992	26,691
Secured loan notes	3,408	4,207
Finance leases	-	1,869
Post employment benefits	540	2,721
	32,307	45,608
Net deferred tax liability/asset	4,040	20,770

Movements in deferred tax have been recognised in the group income statement, except for the amounts relating to the rolled over gains and property revaluations and post employment benefits recognised in OCI.

Deferred tax assets and liabilities have been offset as follows:

	2016	2015
	£000	£000
Deferred tax liability	(28,267)	(24,838)
Offset against deferred tax assets	11,773	11,382
Deferred tax liability	(16,494)	(13,456)
Deferred tax asset	32,307	45,608
Offset against deferred tax liabilities	(11,773)	(11,382)
Deferred tax asset	20,534	34,226

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset income tax assets and income tax liabilities and when it is the intention to settle the balances on a net basis. Deferred tax assets and liabilities have therefore been offset and disclosed on the balance sheet as follows:

Deferred tax asset	20,534	34,226
Deferred tax liability	(16,494)	(13,456)
	4,040	20,770

II. Property, plant and equipment

	Managed land & buildings £000	Leased land & buildings £000	Fixtures, fittings & equipment £000	Total £000
Cost or valuation				
At 24 August 2014 (as previously stated)	1,022,099	254,383	387,880	1,664,362
Prior year adjustment	49,250	-	5,452	54,702
At 24 August 2014 (as restated)	1,071,349	254,383	393,332	1,719,064
Additions	20,516	1,216	29,999	51,731
Revaluation	-	(1,563)	-	(1,563)
Disposals	(4,886)	(3,546)	(2,720)	(11,152)
At 22 August 2015	1,086,979	250,490	420,611	1,758,080
Additions	5,920	3,028	26,711	35,659
Revaluation	-	25,310	(81)	25,229
Transfer to assets held for sale	-	(1,434)	(59)	(1,493)
Disposals	(26,327)	(1,851)	(6,269)	(34,447)
At 1 May 2016	1,066,572	275,543	440,913	1,783,028
Depreciation				
At 24 August 2014 (as previously stated)	58,826	-	247,892	306,718
Prior year adjustment	(48,573)	-	28,535	(20,038)
At 24 August 2014 (as restated)	10,253	-	276,427	286,680
Revaluation	-	(456)	-	(456)
On disposals	112	50	(1,648)	(1,486)
Charge for the period	6,048	406	28,524	34,978
At 22 August 2015	16,413	-	303,303	319,716
Charge for the period	16,436	2,333	8,117	26,886
Revaluation	-	(2,241)	-	(2,241)
Transfer to assets held for sale	-	(12)	(28)	(40)
Impairment	1,928	-	696	2,624
Disposals	(12,444)	(80)	(4,609)	(17,133)
At 1 May 2016	22,333	-	307,479	329,812
Net book value				
At 1 May 2016	1,044,239	275,543	133,434	1,453,216
At 22 August 2015	1,070,566	250,490	117,308	1,438,364
At 24 August 2014 (as restated)	1,061,096	254,383	116,905	1,432,384

The net book value of assets held under finance leases included above are as follows:

	2016 £000	2015 £000
Land and buildings	11,196	11,369

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

	2016 £000	2015 £000
Freehold property	1,051,427	1,042,889
Long leasehold properties	121,750	123,372
Short leasehold properties	146,605	154,795
	1,319,782	1,321,056

Prior period adjustment

Following a full review of net book value (NBV) of property, plant and equipment management identified that property, plant and equipment was understated. Prior period impairment charges had not been allocated in prior periods to individual cash generating units (CGU's) in the group's underlying books and records. Consequently when certain impacted pubs were disposed of these impairment charges were not disposed of. In addition to this, in some instances pubs had been further impaired when this would not have been required had the previous impairment been allocated to the sites correctly. Additionally the full review identified impairments for individual CGUs that had not been processed appropriately. See note 24 for further details.

Revaluation of leased land & buildings

The revalued land and buildings consists of trading properties held under the leased operating model. Management determined that these constitute one class of asset under IFRS 13, based on the nature, characteristics and risks of the property.

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

Trading properties are selected for a desk top review on a five-year rolling basis, with at least 20% of properties selected each year. Colliers and management extrapolated the findings of these formal valuations across the remaining properties and it is with reference to these findings that the Directors have performed their valuation.

These valuations have been incorporated into the financial statements and the resulting revaluation adjustments have been taken to the revaluation reserve or income statement as appropriate.

The sample of properties was valued at market value, in accordance with the provisions of Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Standards ('The Red Book') assuming each asset is sold as part of the continuing enterprise in occupation individually as a fully operational trading entity. The market value has been determined having regard to assumptions such as current and future projected income levels, which represents a key unobservable input. Projected income levels take account of the location, the quality of the pub or restaurant, recent market transactions in the sector and potential alternative use value. In addition, the valuation was based on the valuer's assumptions and models.

At the balance sheet date, all properties were revalued resulting in an increase in net assets of £27,470,000, representing an 11% increase (2015: 2% reduction) on those properties.

The carrying amount had revaluation not been applied would have been £1,426,844 (2015: £1,439,462).

Charges over assets

Included in land and buildings are properties with a net book value of £1,453,216 (2015: £1,438,364) over which there is a first charge in favour of the securitised debt holders of the Spirit secured financing vehicle.

Disposals

Disposals includes properties sold during the year, some of which were required in order to complete the acquisition of Spirit Pub Company group through Greene King group.

Impairment

During the period £2.6m of impairment losses (2015: £nil) were recognised in the income statement as exceptional administrative expenses. The recoverable amount for assets impaired was based on value in use of £23.1m and fair value less cost of disposal of £26.4m.

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.

The group 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% and the projected cash flows extrapolated using an average growth rate of 1.75% for Managed pubs which is below the long-term average growth rate for the business and reflects trends in trading performance. Cash flow projections relating to individual CGUs have been made based on historic trends adjusted for management's estimates of medium term trading prospects.

Estimates of fair value less costs of disposal are based on 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 IFRS 13 Fair Value Measurement. As they use significant unobservable inputs they are classified within Level 3 of the fair value hierarchy.

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

Sensitivities to change in assumptions

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

	2016 £000	2015 £000
Increased impairment resulting from a 10% reduction in fair value less cost of disposal	1,098	-
Increased impairment resulting from a 1% increase in discount rate	1,659	-
Increased impairment resulting from a 1% reduction in growth rate	1,659	-

12. Property, plant and equipment held for sale

	2016 £000	2015 £000
Property, plant and equipment held for sale	1,453	-

Property, plant and equipment held for sale represents pubs that are being actively marketed for sale with expected completion dates within one year. The value of property, plant and equipment held for sale represents the expected net disposal proceeds; further details on the valuation of fair value less costs of disposal are held in note 11. The impairment charge on reclassification to assets held for sale for these sites was £nil (2015: £nil).

13. Inventories

	2016 £000	2015 £000
Finished goods for resale	7,021	7,338

The difference between the purchase price or production cost of finished goods and their replacement cost is not considered to be material.

14. Trade and other receivables: current

	2016 £000	2015 £000
Trade receivables	1,629	2,386
Amounts owed by group undertakings	261,546	252,737
Other receivables	5,261	5,420
Prepayments and accrued income	7,803	5,906
	276,239	266,449

Other amounts owed by group undertakings are unsecured, bear no interest, have no fixed date of repayment and are repayable on demand.

15. Trade and other receivables: non-current

	2016	2015
	£000	£000
Amounts owed by group undertakings	508,891	508,603

Included within amounts owed by group undertakings are non interest bearing loans to Spirit Group Equity Limited, Spirit Group Parent Limited and Spirit Acquisition Properties Limited for £445,000, £384,933,000 and £113,276,000 respectively (2015: £445,000, £384,933,000 and £113,276,000). The loans are repayable on demand.

Also included within amounts owed by group undertakings is a loan to Spirit Managed Inns Limited of £10,237,000 (2015: £9,949,000). Interest accrues at 7% per annum on the original loan. The loan is repayable on demand.

16. Cash and cash equivalents

	2016	2015
	£000	£000
Cash at bank and in hand	113,213	80,144

17. Trade and other payables: current

	2016	2015
	£000	£000
Trade payables	-	259
Amounts owed to group undertakings	179,917	188,843
Taxation and social securities	10,158	7,093
Other payables	6,094	10,660
Net obligations under finance leases and hire purchase contracts	1,539	1,640
Accruals and deferred income	57,977	53,169
	255,685	261,664

Trade payables and other payables are non-interest bearing.

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

18. Trade and other payables: non-current

	2016	2015
	£000	£000
Amounts owed to group undertakings	1,216,760	1,135,485
Net obligations under finance leases and hire purchase contracts	20,554	20,777
Accruals and deferred income	15,786	14,323
	1,253,100	1,170,585

Amounts owed to group undertakings due in more than one year of £1,216,760,000 (2015: £1,135,485,000) comprise three subordinated loans from Spirit Managed Funding Limited totalling £600,000,000 (2015: £600,000,000) and accrued subordinated loan interest of £616,760,000 calculated using the effective interest rate method (2015: £535,485,000).

Interest on the subordinated loan balance accrues at a rate of 16% per annum and interest accrues on unpaid subordinated loan interest at a rate of 15.01% per annum. The total amount of accrued subordinated loan interest per the contract terms outstanding at the balance sheet date is £1,407,951,000 (2015: £1,257,002,000). Repayment of the subordinated loan is only permissible following repayment of all of the secured loan notes.

Accruals and deferred income represents annual uplifts in rent and rent-free periods falling due after more than one year.

During the period a review of the application of the effective interest method in determining the carrying value of loans and borrowings was undertaken resulting in adjustment of balances at 24 August 2014 and 22 August 2015 (see note 24).

19. Borrowings

	2016 £000	2015 £000
Secured loan notes maturity analysis		
In less than one year	10,829	10,520
In more than one year but not more than two years	11,242	10,932
In more than two years but not more than five years	73,168	54,627
In more than five years	685,292	712,291
	780,531	788,370
Impact of effective interest rate method	20,212	20,466
	800,743	808,836
Borrowings: current	11,258	10,531
Borrowings: non-current	789,485	798,305
	800,743	808,836

Details of secured loan notes are as follows:

	2016 £000	2015 £000
Class A1 floating rate secured loan notes due 2026 at LIBOR plus 0.55% per annum	29,520	29,520
Class A2 floating rate secured loan notes due 2029 at LIBOR plus 2.70% per annum	186,569	186,569
Class A3 fixed / floating rate secured loan notes due 2019 at 5.860% per annum to December 2014 and LIBOR plus 0.55% per annum thereafter	38,572	46,411
Class A4 fixed / floating rate secured loan notes due 2025 at 6.582% per annum to December 2018 and LIBOR plus 2.775% per annum thereafter	207,679	207,679
Class A5 fixed / floating rate secured loan notes due 2032 at 5.472% per annum to December 2028 and LIBOR plus 0.75% per annum thereafter	158,546	158,546
Class A6 floating rate secured loan notes due 2036 at LIBOR plus 1.80% per annum to September 2018 and LIBOR plus 3.30% thereafter	101,293	101,293
Class A7 fixed / floating rate secured loan notes due 2036 at 5.86% to December 2014, LIBOR plus 3.95% to September 2018 and LIBOR plus 5.45% thereafter	58,352	58,352
	780,531	788,370
Impact of effective interest rate method	20,212	20,466
	800,743	808,836

Secured debt

The debenture structure 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 debenture properties and restrictions on its ability to move cash to other group companies and utilisation of disposal proceeds.

Optional redemption

On giving not fewer than five business days' prior written notice, one or more classes of the loan notes may, at the option of the company, be redeemed in whole or in part (provided that the minimum amount of any such redemption will be £1,000,000 in principal amount of a class of loan notes and thereafter in multiples of £100,000 in principal amount) on any interest payment date subject to certain conditions as set out in the terms and conditions of the loan notes.

During the period a review of the application of the effective interest method in determining the carrying value of loans and borrowings was undertaken resulting in adjustment of balances at 24 August 2014 and 22 August 2015 (see note 24).

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 loan notes and subordinated loans with fellow group companies.

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 per annum	Nominal Value 2016 £000	Carrying Value 2016 £000
Securitised debt issued by Spirit Issuer plc				
Class A1	2026	LIBOR plus 0.55%	29,519	29,519
Class A2	2029	LIBOR plus 2.70%	186,569	206,799
Class A3	2019	5.860% to December 2014; LIBOR plus 0.55% thereafter	38,573	38,573
Class A4	2025	6.582% to December 2018; LIBOR plus 2.775% thereafter	207,679	209,000
Class A5	2032	5.472% to December 2028; LIBOR plus 0.75% thereafter	158,546	161,155
Class A6	2036	LIBOR plus 1.80% to September 2018; LIBOR plus 3.30% thereafter	101,293	98,788
Class A7	2036	5.86% to December 2014; LIBOR plus 3.95% to September 2018; LIBOR plus 5.45% thereafter	58,352	56,909
			780,531	800,743

During the period a review of the application of the effective interest method in determining the carrying value of loans and borrowings was undertaken resulting in adjustment of balances at 24 August 2014 and 22 August 2015 (see note 24).

Derivatives

The group holds Interest rate swap agreements which swap the LIBOR interest rate to a fixed rate of 6.681% on the Class A1, Class A2 and Class A6 notes and, after their respective step-up dates, 4.555% on the Class A3, Class A4, Class A5 and Class A7 notes. The swaps were deemed ineffective hedges and therefore do not qualify for hedge accounting, with movements in their fair value being recognised in the income statement. The interest rate swaps are held on the balance sheet as a fair value liability of £191.7m (2015: £182.9m). The cashflows occurred quarterly based a variable rate of interest based on LIBOR.

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 22 August 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.

Based on the group's net position at the year end, a 1% increase or decrease in interest rates would change the group's loss for the period by £49.8m (2015: £42.0m).

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 22 August 2015 based on contractual undiscounted payments including interest.

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	-	-	-	600,000	600,000
- Interest	-	-	-	8,210,335	8,210,335
	-	-	-	8,810,335	8,810,335
Term loans:					
- Capital	10,829	11,242	73,168	685,292	780,531
- Interest	36,946	38,442	108,812	316,720	500,920
	47,775	49,684	181,980	1,002,012	1,281,451
Interest rate swaps settled net	22,760	20,590	71,819	165,643	280,812
Finance leases	1,539	1,539	3,695	53,100	59,873
	72,074	71,813	257,494	10,031,090	10,432,471
Period ended 22 August 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	-	-	-	600,000	600,000
- Interest	-	-	-	8,210,335	8,210,335
	-	-	-	8,810,335	8,810,335
Term loans:					
- Capital	10,520	10,932	54,627	712,291	788,370
- Interest	34,832	41,044	127,642	357,426	560,944
	45,352	51,976	182,269	1,069,717	1,349,314
Interest rate swaps settled net	25,525	18,494	52,934	169,082	266,035
Finance leases	1,640	1,640	3,736	53,961	60,977
	72,517	72,110	238,939	10,103,095	10,486,661

The interest on subordinated loans is expected to be paid at the end of the term. However, earlier payment might be required as payment depends on a number of variables as discussed in the judgements and estimates section of these accounts.

Credit risk

Financial assets include loans owed by group undertakings, cash and cash equivalents and interest receivable. Credit risk is the risk of default by the counterparty to discharge their obligation and the maximum exposure of the company is the carrying amount of these instruments. The credit risk on loans owed by group undertakings is limited as these consist of amounts receivable from other significant subsidiaries of Greene King plc group, and are secured against pubs in the Greene King group estate.

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

The group's capital structure is made up of subordinated loan notes with fellow group companies, secured loan notes, issued share capital and reserves. The group is able to generate sufficient returns to service the debt. Debt is monitored by a variety of measures which are reported to debt providers on a quarterly basis. These include covenants regarding the maintenance and disposal of debenture properties and restrictions on its ability to move cash to other group companies and utilisation of disposal proceeds.

Fair values

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

	Hierarchical classification	2016		2015	
		Fair value £'m	Carrying value £'m	Fair value £'m	Carrying value £'m
Financial liabilities:					
Securitised debt	1	(757.3)	(800.7)	(803.1)	(808.8)
Derivative financial instruments	2	(191.7)	(191.7)	(182.9)	(182.9)
Subordinated loan	3	(1,216.7)	(1,216.7)	(1,135.5)	(1,135.5)
Finance Lease creditor	2	(22.1)	(22.1)	(22.4)	(22.4)
Financial assets:					
Amounts owed by group undertakings non-current	2	508.9	508.9	508.6	508.6

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 is 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 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 22 August 2015 there were no transfers between levels 1, 2 or 3 fair value measurements.

21. Finance leases

The group holds licensed properties under finance leases. The leases have various terms, escalation clauses and renewal rights.

At the balance sheet date the group had future minimum lease payments as follows:

	2016 £000	2015 £000
Not later than 1 year	1,539	1,640
Later than 1 year and not later than 5 years	5,234	5,376
Later than 5 years	53,100	53,961
	59,873	60,977

The present value of minimum lease payments is analysed as follows:

	2016 £000	2015 £000
Not later than 1 year	1,539	1,640
Later than 1 year and not later than 5 years	4,294	4,395
Later than 5 years	16,260	16,382
	22,093	22,417

22. Share capital

	2016 £	2015 £
Allotted, called up and fully paid		
4 Ordinary shares of £1 each	4	4

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

23. Reserves

Share premium account

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

Revaluation reserve

Revaluation reserve has arisen on the revaluation of property, plant and equipment.

Capital redemption reserve

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

24. Prior period adjustment

Property, plant and equipment - write off unallocated prior year impairment charges

Following a full review of net book value (NBV) of property, plant and equipment management identified that property, plant and equipment was understated. Prior period impairment charges had not been allocated in prior periods to individual cash generating units (CGU's) in the group's underlying books and records. Consequently when certain impacted pubs were disposed of these impairment charges were not disposed of. In addition to this, in some instances pubs had been further impaired when this would not have been required had the previous impairment been allocated to the sites correctly. Additionally the full review identified impairments for individual CGUs that had not been processed appropriately.

The effect of this error was to understate the net book value of property, plant and equipment by £74.7m.

Note 11 shows that the error has been corrected through a prior year adjustment to opening balances as at 24 August 2014, comprising an increase in NBV of land and buildings of £97.8m and a decrease in NBV of fixtures and fittings of £23.1m. The underlying records are not sufficient to accurately determine the allocation of correcting entries between the

period to 22 August 2015 and prior periods, and therefore there is some uncertainty in the opening position as at 24 August 2014 and the potential impact on the results for the period to 22 August 2015.

This resulted in a change to deferred tax of £15m which is detailed in note 32.

Application of the effective interest method in determining the carrying value of loans and borrowings

A review of the application of the company's accounting policy in respect of effective interest method identified a number of instances where this method had historically not been applied correctly. The two areas affected are secured loan notes issued by the group and a subordinated loan included in amounts due to other group undertakings due in greater than one year and.

As regards to the secured loan notes, the adjustment identified relates to a step up in the interest rate on one loan that occurred in 2011 that had not been included in the original effective interest rate as refinancing had previously been expected prior to the step-up date. When the refinancing did not take place the carrying amount of the loan should have been revised to take into account the changed estimated future cash flows.

The impact of correcting the treatment has been as follows:

- Secured loan notes falling due after more than one year as at 22 August 2015 have increased by £21,037,000 (2014: £22,144,000);
- Interest payable on bond finance for the 52 week period to 22 August 2015 has reduced by £1,107,000.

The impact on deferred tax amounted to £4m.

As regards to the subordinated loan, due to the contractual terms for interest payments, a significant portion of the outstanding balance is not interest bearing thus the effective interest rate is different to the contractual interest rate with the loan having previously been accounted for using only the contractual interest rate instead of the effective interest rate.

The impact of correcting the treatment has been as follows:

- Amounts owed to group undertakings falling due after more than one year as at 22 August 2015 have reduced by £721,120,000 (2014: £623,007,000);
- Interest payable to group undertakings has reduced by £98,113,000.
- There is no tax as a result of these adjustments.

For the effect of the prior period adjustment detailed above refer to note 32.

25. Commitments under operating leases

The group has entered into commercial leases on certain properties and items of plant and machinery. The terms of the leases vary but typically on inception a property lease will be for a period of up to 30 years and plant and machinery will be for up to 6 years. Most property leases have an upwards-only rent review based on open market rents at the time of the review.

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

	2016 £000	2015 £000
Not later than 1 year	38,345	39,024
Later than 1 year and not later than 5 years	150,263	225,982
Later than 5 years	675,528	473,787
	864,136	738,793

The group leases part of its licenced estate and other non-licenced properties to tenants. The majority of lease agreements have terms of between 6 months and 25 years and are classified for accounting purposes as operating leases. Most of the leases with terms of over 3 years include provision for rent reviews on either a 3 year or 5 year basis.

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

	2016 £000	2015 £000
Not later than 1 year	16,619	16,983
Later than 1 year and not later than 5 years	51,637	51,219
Later than 5 years	68,174	76,201
	136,430	144,403

26. Pension commitments

The group operates a defined benefit pension scheme.

During the prior period, the group operated three funded defined benefit pension schemes: the Spirit Group Pension Scheme (SGPS), the Spirit Group Retail Pension Scheme (SGRPS) and the Spirit Group (Legacy) Pension Scheme (SGLPS), providing benefits based on final pensionable pay.

On 6 June 2015, the SGPS and SGRPS were merged in to the SGLPS. At that date the assets of the two previous schemes were legally transferred to SGLPS after making winding up lump sum payments to certain eligible members of the previous schemes.

During the current period, the group continued to operate one funded scheme being Spirit Group (Legacy) Pension Scheme.

The scheme operates in the UK and is closed to future accruals. The values of the scheme's liabilities have been determined by a qualified actuary based on the results of an actuarial valuation as at 30 June 2015, updated to 1 May 2016, the balance sheet date.

Member funds for the defined benefit scheme are held in separate funds independently of the group's finances and are administered by pension trustees. Pension benefits are related to members' final salary at the earlier of retirement or closure to future accrual and their length of service.

Since the pension liability is adjusted for the changes to consumer price index, the pension plan is exposed to inflation, interest rate risks and changes in the life expectancy for pensioners. As the plan assets include significant investments in quoted equity shares of entities in manufacturing and consumer product sector, the group is also exposed to equity market risk arising in the manufacturing and consumer products sector. The majority of the bonds relate to UK government and corporate bonds.

The pension scheme has not invested in any of the group's own financial instruments, nor in properties or other assets used by the group.

All pension costs relating to the pension scheme are incurred by Spirit Pub Company (Services) Limited, the principal employer. These costs are then recharged to Spirit Pub Company (Managed) Limited and Spirit Pub Company (Trent) Limited on a fixed percentage based on a contractual agreement. Contributions are equally allocated. The disclosures quoted below are Spirit Pub Company (Managed) Limited's proportion of the total assets and liabilities of the pension scheme.

The assets and liabilities of the scheme are:

	2016 £000	2015 £000
Investment quoted in active markets		
Equities	97,686	95,985
Bonds	251,100	259,848
Unquoted instruments		
Property	38,880	36,531
Cash	8,586	6,237
Fair value of scheme assets	396,252	398,601
Present value of scheme liabilities	(399,249)	(412,209)
Defined benefit pension plan deficit	(2,997)	(13,608)

Changes in the present value of the defined benefit pension obligation are as follows:

	2016 £000	2015 £000
At the beginning of the year	412,209	378,108
Interest cost	9,965	15,309
Remeasurement (gains) / losses	(12,507)	45,036
Benefits paid	(10,418)	(27,054)
Operating charge due to merger of schemes	-	810
At the end of the year	399,249	412,209

Changes in the fair value of plan assets are as follows:

	2016 £000	2015 £000
At the beginning of the year	398,601	379,647
Interest income	10,016	15,471
Remeasurement (losses) / gains	(3,324)	27,378
Contributions by employer	3,495	5,184
Scheme expenses paid	(2,118)	(2,025)
Benefits paid	(10,418)	(27,054)
At the end of the year	396,252	398,601

The amounts recognised in profit or loss are as follows:

	2016 £000	2015 £000
Interest on obligation	(9,965)	(15,309)
Interest on scheme assets	10,016	15,471
Interest on IFRIC 14 adjustment	-	(162)
Operating charge due to merger of schemes	-	(810)
Scheme expenses paid	(2,118)	(2,025)
	(2,067)	(2,835)

Contributions stopped in 2016 therefore expected future contributions have reduced accordingly.

The average duration of the defined benefit plan obligation at the end of the period is 18 years (2015: 18 years).

The amounts recognised in other comprehensive income are as follows:

	2016	2015
	£000	£000
Actuarial (gain) / loss on defined benefit schemes	(9,183)	17,658
Reversal of pension surplus previously not recognised	-	(4,779)
	(9,183)	12,879

On transition the net benefit liability amounted to £3.1m after a restriction of £4.6m which has reversed in 2015, following the merger of the schemes.

The principal actuarial assumptions at the balance sheet date (expressed as weighted averages) are as follows:

	2016	2015
	%	%
Discount rate	3.40	3.50
Future pension increases	3.20	3.20
Inflation assumption (RPI)	3.30	3.30
Inflation assumption (CPI)	2.30	2.30
Mortality rates	Years	Years
-for a male aged 65 now	22	22
-at 65 for a male aged 45 now	24	24
-for a female aged 65 now	24	24
-at 65 for a female aged 45 now	27	26

The sensitivities regarding the principal assumptions assessed in isolation that have been used to measure the scheme liabilities and the increase/(decrease) in scheme liabilities are:

	2016	2015
	£000	£000
0.25% increase in discount rate (2015: 0.5% increase in rate)	(18,023)	(46,170)
0.25% increase in inflation rate (2015: 0.5% increase in rate)	13,973	39,690
Additional one year increase to life expectancy (2015: not available)	12,393	-

27. Provisions

	VAT provision	Property leases	Total
	£000	£000	£000
At 24 August 2014	10,652	10,378	21,030
Profit and loss account	432	3,774	4,206
Utilised during the period	-	(3,262)	(3,262)
Unwinding of discount effect of provisions	-	711	711
At 22 August 2015	11,084	11,601	22,685
Profit and loss account	209	(3)	206
Utilised during the period	-	(2,205)	(2,204)
Unwinding of discount effect of provisions	-	387	387
At 1 May 2016	11,293	9,780	21,074

Provisions have been analysed between current and non-current as follows:

	VAT provision £000	Property leases £000	Total £000
Current	11,084	2,205	13,289
Non-current	-	9,396	9,396
At 22 August 2015	11,084	11,601	22,685
Current	11,293	1,248	12,541
Non-current	-	8,533	8,533
At 1 May 2016	11,293	9,780	21,074

VAT provision

The provision for VAT repayable represents the company's element of the group's outstanding gaming machine VAT claim and the associated default interest.

During a previous period Spirit Pub Company group received refunds of £17.9m from HMRC in respect of gaming machines following a ruling involving The Rank Group plc (Rank) that the application of VAT contravened the EU's principal of fiscal neutrality. HMRC successfully appealed the decision in October 2013, however HMRC did not seek to recover the VAT refund of £17.9m and associated interest of £5.5m because it had accepted a guarantee from Spirit Pub Company group that it would only repay this VAT if Rank's litigation is finally determined in HMRC's favour. Rank's latest appeal was rejected by the Supreme Court in July 2015 and the group is currently awaiting the outcome of related litigation.

The provision held is the portion that relates to the debenture group and is all deemed to be current as HMRC can call repayment at any point within a year.

Dilapidations

Provisions have been recognised in relation to property leases that have dilapidation clauses. Payments are expected to be ongoing on these properties for an average of 15 years (2015: 15 years).

Property leases

The provision for property leases has been set up to cover operating costs of vacant or loss making premises. The provision covers the expected shortfall between operating income and rents payable for a period of three years for trading properties and ten years for non-trading properties, being the estimated period to mitigate the losses. These properties are not expected to become profitable in the future.

28. Capital commitments

	2016 £000	2015 £000
Contracted for but not yet incurred	-	10,176

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

	2016 £000	2015 £000
Operating profit	83,644	121,230
Depreciation of tangible assets	26,887	35,230
Loss / (profit) on disposal of property, plant and equipment	(3,592)	(13,306)
Revaluation and impairment of property, plant and equipment	3,599	(4,026)
Non-cash impact of annual rent uplifts and rent-free periods	1,761	2,204
Share based payment expense	65	1,456
(Increase)/decrease in inventories	317	88
(Increase)/decrease in debtors	(15,968)	(14,822)
Increase/(decrease) in creditors	14,148	5,248
(Decrease)/increase in provisions	(2,208)	512
Pension scheme contributions	(3,495)	(5,184)
Net cash inflow from operating activities	105,158	128,630

30. 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:

	2016 £000	2015 £000
Net recharge of goods and services		
Other related parties	311,514	448,202

Amounts owed to group undertakings (all with fellow group subsidiaries) are shown in notes 14, 15, 17, 18. Interest income and expense with group undertakings (all with fellow group undertakings) are disclosed in note 8 and 9.

31. Ultimate parent undertaking and controlling party

At the balance sheet date, the directors consider the immediate parent undertaking and immediate controlling party of Spirit Pubs Debenture Holdings Limited to be Spirit Parent Limited, a company incorporated in England and Wales.

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

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

32. First time adoption of IFRS

For all periods up to and including the year ended 22 August 2015, the group prepared its financial statements in accordance with previously extant United Kingdom Generally Accepted Accounting Standards (UK GAAP). These group financial statements, for the period ended 1 May 2016, are the first the group has prepared in accordance with IFRS as adopted by the European Union.

Accordingly, the group has prepared group financial statements which comply with IFRSs 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 group financial statements, the group has started from an opening balance sheet as at 24 August 2014, the group's date of transition to IFRS, and made those changes in accounting policies and other restatements 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 24 August 2014 prepared under previously extant UK GAAP and its previously published UK GAAP group financial statements for the 52 weeks ended 22 August 2015.

On transition to IFRS, the company has applied the requirements of paragraphs 6-33 of IFRS 1 "First time adoption of International Financial Reporting Standards".

Exemptions Applied

IFRS 1 allows first-time adopters certain exemptions from the general requirements to apply IFRSs as effective for December 2014 year ends retrospectively. The group has taken advantage of the following exemptions:

- Cumulative actuarial gains and losses on pensions and other post-employment benefits are recognised in full in equity on the date of transition to IFRS. This is the same treatment as under previous UK GAAP.
- For property, plant and equipment, fair value at the date of transition has been applied as deemed cost.

Spirit Pubs Debenture Holdings Limited

Company number 05266779

Group balance sheet		24 August 2014 As previously stated	24 August 2014 Prior year restatement (note 24)	24 August 2014 Effect of transition	24 August 2014 IFRS
	Explanation	£000	£000	£000	£000
Non-current assets					
Intangible assets	2	(351,119)	-	351,119	-
Property, plant and equipment	1,3,4	1,347,660	74,740	9,984	1,432,384
Trade and other receivables	5	737,584	-	(229,396)	508,188
Deferred tax assets	3,6	28,703	4,429	2,458	35,590
		1,762,828	79,169	134,165	1,976,162
Current assets					
Inventories		7,343	-	-	7,343
Trade and other receivables	5,8	19,436	-	229,396	248,832
Cash and cash equivalents		105,654	-	-	105,654
Property, plant and equipment held for sale	4	132,433	-	229,396	361,829
		-	-	1,475	1,475
		132,433	-	230,871	363,304
Current liabilities					
Borrowings	1	(11,338)	-	(1,108)	(12,446)
Trade and other payables	3,5	(133,743)	-	(134,299)	(268,042)
Income tax payable		-	-	-	-
Provisions	8	-	-	(13,105)	(13,105)
Derivative financial instruments		(20,805)	-	-	(20,805)
		(165,886)	-	(148,512)	(314,398)
Non-current liabilities					
Borrowings	1	(787,802)	(22,144)	1,108	(808,838)
Trade and other payables	1,5	(1,844,332)	623,007	114,163	(1,107,162)
Derivative financial instruments		(133,828)	-	-	(133,828)
Deferred tax liabilities	7	-	(14,948)	(2,611)	(17,559)
Provisions	8	(19,735)	-	11,810	(7,925)
Pension liability	6	(907)	-	(2,171)	(3,078)
		(2,786,604)	585,915	122,299	(2,078,390)
Total net (liabilities)/assets		(1,057,229)	665,084	338,823	(53,322)
Capital and reserves					
Share capital		-	-	-	-
Share premium account		39,996	-	-	39,996
Revaluation reserve	9	(220,217)	-	220,217	-
Capital redemption reserve		153,287	-	-	153,287
Retained earnings	1,2,3,4, 6,7,9	(1,030,295)	665,084	118,606	(246,605)
Total equity		(1,057,229)	665,084	338,823	(53,322)

Spirit Pubs Debenture Holdings Limited

Company number 05266779

Group balance sheet		22 August 2015 As previously stated	22 August 2015 Prior year restatement (note 24)	22 August 2015 Effect of transition	22 August 2015 IFRS
	Explanation	£000	£000	£000	£000
Non-current assets					
Intangible assets	2	(322,288)	-	322,288	-
Property, plant and equipment	1,3	1,352,257	74,740	11,367	1,438,364
Trade and other receivables	5	740,344	-	(231,741)	508,603
Deferred tax assets	3,6	25,429	4,207	4,590	34,226
		1,795,742	78,947	106,504	1,981,193
Current assets					
Inventories		7,338	-	-	7,338
Trade and other receivables	8,5	34,708	-	231,741	266,449
Cash and cash equivalents		80,144	-	-	80,144
		122,190	-	231,741	353,931
Property, plant and equipment held for sale		-	-	-	-
		122,190	-	231,741	353,931
Current liabilities					
Borrowings		(9,725)	-	(806)	(10,531)
Trade and other payables	3,5	(127,774)	-	(133,890)	(261,664)
Income tax payable		(2)	-	-	(2)
Provisions	8	-	-	(13,289)	(13,289)
Derivative financial instruments		(22,891)	-	-	(22,891)
		(160,392)	-	(147,985)	(308,377)
Non-current liabilities					
Borrowings	1	(778,074)	(21,037)	806	(798,305)
Trade and other payables	1,5	(2,006,328)	721,120	114,623	(1,170,585)
Derivative financial instruments		(160,056)	-	-	(160,056)
Deferred tax liabilities	7	-	(14,948)	1,492	(13,456)
Provisions	8	(20,632)	-	11,236	(9,396)
Pension liability	6	(10,887)	-	(2,721)	(13,608)
		(2,975,977)	685,135	125,436	(2,165,406)
Total net (liabilities)/assets		(1,218,437)	764,082	315,696	(138,659)
Capital and reserves					
Share capital		-	-	-	-
Share premium account		39,996	-	-	39,996
Revaluation reserve	9	(215,400)	-	219,821	4,421
Capital redemption reserve		153,287	-	-	153,287
Retained earnings	1,2,3,4, 6,7,9	(1,196,320)	764,082	95,875	(336,363)
Total equity		(1,218,437)	764,082	315,696	(138,659)

Spirit Pubs Debenture Holdings Limited

Company number 05266779

Group income statement		22 August 2015 As previously stated	22 August 2015 Prior year restatement (note 24)	22 August 2015 Effect of transition	22 August 2015 IFRS
	Explanation	£000	£000	£000	£000
Revenue		699,036	-	-	699,036
Cost of sales		(464,122)	-	-	(464,122)
Gross profit		234,914	-	-	234,914
Administrative expenses	2,3,4,6	(84,164)	-	(32,680)	(116,844)
Exceptional operating expenses	9	7,969	-	(4,809)	3,160
Operating profit		158,719	-	(37,489)	121,230
Finance income		15,951	-	(15,147)	804
Finance costs	1,3,6	(319,198)	99,220	14,237	(205,741)
Loss before taxation		(144,528)	99,220	(38,399)	(83,707)
Taxation	6,7	(1,233)	(222)	5,608	4,153
Loss attributable to equity holders of the parent		(145,761)	98,998	(32,791)	(79,554)

Group statement of other comprehensive income

		22 August 2015 As previously stated	22 August 2015 Prior year restatement (note 24)	22 August 2015 Effect of transition	22 August 2015 IFRS
	Explanation	£000	£000	£000	£000
Loss for the period		(145,761)	98,998	(32,791)	(79,554)
Other comprehensive income					
Items that are not reclassified to profit or loss:					
Revaluation of property, plant and equipment	9	(2,198)	-	7,724	5,526
Income tax effect	9	-	-	(1,105)	(1,105)
Re-measurement gains / (losses) on defined benefit schemes	6	(16,686)	-	3,807	(12,879)
Income tax effect	6	3,437	-	(762)	2,675
Other comprehensive income / (loss) for the period net of tax		(15,447)	-	9,664	(5,783)
Total comprehensive loss for the period net of tax		(161,208)	98,998	(23,127)	(85,337)

Explanation of changes to previously reported:

1. Further details of the prior period adjustment relating to property, plant and equipment; borrowings; non-current trade and other payables; retained earnings and finance costs can be found in note 24.
2. Upon transition to IFRS negative goodwill held on the balance sheet and amortised under previously reported UK GAAP has been transferred to equity in accordance with the provisions of IFRS 3 Business Combinations.
3. The group has adopted IAS 17 Leases which resulted in a number of lease arrangements being changed from operating leases to finance leases on transition resulting in tangible fixed assets being recognised on 24 August 2014 of £11,770,000 (2015: £11,367,000) as well as a finance lease liability of £21,431,000 on 24 August 2014 (2015: £21,320,000). This resulted in £780,000 of income within administrative expenses as a result of rent credits and depreciation charge on leases as well as a charge of £1,072,000 being recognised in interest payable as a result of unwinding of the finance lease liability recognised on the balance sheet in the period ended 22 August 2015. On transition a deferred tax asset of £1,842,000 (2015: £1,870,000) has been recognised in respect of this adjustment.
4. In accordance with IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations, the group has recognised tangible assets held for sale representing pubs that are being actively marketed for sale with expected completion dates within one year. On transition property, plant and equipment with a carrying amount of £1,786,000 less £311,000 impairment on reclassification have been reclassified to property, plant and equipment held for sale. The impact on the results for the period ended 22 August 2015 amounted to £311,000 reduction in loss on disposal.
5. On transition to IFRS 101, the company has reviewed its presentation of intercompany balances in accordance with IAS 1.
6. The company has adopted IAS 19 Employee benefits and on transition recognised a restriction of the surplus in one of the schemes resulting in an increase of the defined benefit liability of £1,944,000 plus reclassification of the deferred tax asset previously deducted of £227,000. The restriction reversed in the period ended 22 August 2015 due to the merger of the schemes. Additionally a reclassification from other comprehensive income to the income statement was made recognising a charge of £2,025,000 relating to expenses paid on the defined benefit pension scheme upon transition from previously reported numbers under FRS 17 plus recognising a net credit in pension interest of £162,000. In addition to the reclassified deferred tax asset, the deferred tax asset relating to the pension liability increased to £616,000. The adjustment to the pension liability as at 22 August 2015 relates to the reclassification of the included deferred tax asset of £2,721,000.
7. As IFRS 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 in relation to rolled over gains and property revaluation has been recognised on transition amounting to £17,559,000 (2015: £13,456,000) which includes the prior year restatement on property, plant and equipment.
8. Dilapidations provisions previously held in accruals have been reclassified to provisions in accordance with IAS37, Provisions, Contingent Liabilities and Contingent Assets at the transition date amounting to £1,295,000 (2015: £2,054,000). Additionally, provisions were split into a current and non-current portion to comply with the presentation requirements of IAS 1.
9. The group has elected to use the transition date (23 August 2014) to apply fair value as deemed cost for Leased land and buildings and there was no change to the UK GAAP carrying value at the date of transition. As required by IFRS 1 the company has set cumulative revaluation reserves to zero at this date and transferred any balances into profit and loss reserves. Revaluations above deemed cost are therefore presented in OCI and downward revaluations below deemed cost in the income statement which has led to reclassifications from previous presentation under UK GAAP.

Company balance sheet

as at 1 May 2016

	Note	1 May 2016 £000	22 August 2015 £000
Fixed assets			
Investments	36	94,008	94,008
		94,008	94,008
Net assets		94,008	94,008
Capital and reserves			
Called up share capital	37	-	-
Share premium account		39,996	39,996
Capital redemption reserve		153,287	153,287
Profit and loss account	34	(99,275)	(99,275)
Total equity		94,008	94,008

The financial statements were approved and authorised for issue by the board and signed on its behalf on 8 September 2016 by:


 K Davis
 Director

Company statement of changes in equity

as at 1 May 2016

	Share capital	Share premium	Capital redemption reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000
As at 23 August 2015	-	39,996	153,287	(99,275)	94,008
At 1 May 2016	-	39,996	153,287	(99,275)	94,008

	Share capital	Share premium	Capital redemption reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000
As at 24 August 2014	-	39,996	153,287	(99,275)	94,008
At 22 August 2015	-	39,996	153,287	(99,275)	94,008

33. 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 36 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 24 August 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. No recognition or measurement differences resulted from the transition. Accordingly, reconciliations of equity as at the date of transition and 22 August 2015 and of total comprehensive income for the period ending 22 August 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:

- 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 requirements of IFRS 1, to present an opening statement of financial position when adopting FRS 101 for the first time

Where applicable equivalent disclosures are included in the company's consolidated 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 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 assets of £94,008.

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.

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 FRS 101, the previous GAAP carrying amount at the date of transition was regarded as deemed cost.

Significant accounting judgments and estimates

The preparation of financial statements requires management to make judgments, estimates and assumptions in the application of accounting policies that affect reported amounts of assets and liabilities, income and expense. The company bases its estimates and judgments on historical experience and other factors deemed reasonable under the circumstances, including any expectations of future events. Actual results may differ from these estimates. No estimates and judgments were considered to be significant.

34. Loss attributable to the member of the parent company
Parent company profit and loss

As permitted by section 408 of the Companies Act 2006, the company's profit and loss account has not been included in these financial statements. The result for the financial period is £nil (2015: £nil).

Auditor remuneration for non-audit services is not given as this information is required to be given in the group financial statements.

35. Directors' emoluments and staff costs

The company had no employees during the period (2015: none). Regarding director remuneration disclosures see note 7 in the group financial statements.

36. Investments

	2016 £000	2015 £000
Shares in subsidiaries at cost	94,008	94,008

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

Name of company	Class of shares	Holding	Principal Activity
Directly held:			
Spirit Pubs Parent Limited	Ordinary	100%	Holding company
Indirectly held:			
Allied Kunick Entertainments Limited	Ordinary	100%	Owner of unlicensed properties
Aspect Leisure Activities Limited ¹	Ordinary	100%	Non trading
Aspect Ventures Limited	Ordinary	100%	Holding company
AVL (Pubs) No.1 Limited	Ordinary	100%	Holding company
AVL (Pubs) No.2 Limited	Ordinary	100%	Non trading
Barnaby's Carvery Limited ¹	Ordinary	100%	Non trading
Barshelf 2 Limited ¹	Preference	100%	Non trading
Catertour Limited ¹	Ordinary	100%	Non trading
Chef & Brewer Hotels Limited ¹	Ordinary	100%	Non trading
Chef & Brewer Limited	Ordinary	100%	Non trading
Cheshire Hotels (Developments) Limited ¹	Ordinary	100%	Non trading
Cheshire Hotels Limited ¹	Ordinary	100%	Holding company
	Preference	100%	
City Limits Limited ¹	Ordinary	100%	Non trading
Cleveland Place Holdings Limited	Ordinary	100%	Holding company
Country Fayre Restaurants Limited ¹	Ordinary	100%	Non trading
Country Grill Restaurants Limited ¹	Ordinary	100%	Holding company
CPH (R&L) No.1 Limited ¹	Ordinary	100%	Holding company
CPH (R&L) No.2 Limited ¹	Ordinary	100%	Non trading
CPH Palladium Limited	Ordinary	100%	Holding company
Dearg Limited	Ordinary	100%	Holding company
Freehouse Limited ¹	Ordinary	100%	Non trading
Freshwild Limited	Ordinary	100%	Holding company
Homespreads Limited ¹	Ordinary	100%	Non trading
Huggins and Company Limited	Ordinary	100%	Non trading
John Barras & Co Limited ¹	Ordinary	100%	Non trading
Little London Pubs Limited ¹	Ordinary	100%	Non trading
London Pub-Restaurants Limited ¹	Ordinary	100%	Non trading
London Tourist Pubs Limited ¹	Ordinary	100%	Non trading
	Cumulative preference	100%	
Mountloop Limited	Ordinary	100%	Non trading

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Narnain	Ordinary	100%	Holding company
Open House Limited	Ordinary	100%	Non trading
Partstripe Limited ¹	Ordinary	100%	Holding company
R.V. Goodhew Limited	Ordinary	100%	Non trading
	Deferred ordinary	100%	
Readystripe Limited ¹	Ordinary	100%	Non trading
Schooner Inns Limited ¹	Ordinary	100%	Non trading
Southern Inns Limited ¹	Ordinary	100%	Non trading
Spirit (AKE Holdings) Limited	Ordinary	100%	Holding company
Spirit (BRB) Limited ¹	Ordinary	100%	Holding company
Spirit (CCR) Limited ¹	Ordinary	100%	Non trading
	Cumulative preference	100%	
Spirit (Faith) Limited	Ordinary	100%	Pub retailing
Spirit (Lodges Holdings) Limited ¹	Ordinary	100%	Non trading
Spirit (OOL) Limited ¹	Ordinary	100%	Non trading
Spirit (SGL) Limited	Ordinary	100%	Holding company
Spirit Group Retail (North) Limited ¹	Ordinary	100%	Non trading
Spirit Group Retail (Northampton) Limited	Ordinary	100%	Holding company
	Preference	100%	
Spirit Group Retail (Pubs) No.1 Limited ¹	Ordinary	100%	Holding company
Spirit Group Retail (Pubs) No.2 Limited ¹	Ordinary	100%	Non trading
Spirit Group Retail (South) Limited	Ordinary	100%	Holding company
Spirit Group Retail Hotels Limited ¹	Ordinary	100%	Non trading
Spirit Group Retail Limited	Ordinary	100%	Holding company
	Preference	100%	
Spirit Group Retail Pensions Limited	Ordinary	100%	Non trading
Spirit Group Retail Pubs and Restaurants Limited ¹	Ordinary	100%	Non trading
Spirit Pub Company (Leased) Limited	Ordinary	100%	Leasing of public houses
Spirit Pub Company (Managed) Limited	Ordinary	100%	Pub retailing
Spirit Retail Bidco Limited	Ordinary	100%	Holding company
Spirit SLB Limited ¹	Ordinary	100%	Non trading
Springtarn Limited	Ordinary	100%	Non trading
Steward & Patteson Limited ¹	Ordinary	100%	Non trading
Stickpad Limited ¹	Ordinary	100%	Non trading
Telscombe Tavern Limited ¹	Ordinary	100%	Non trading
The Chef & Brewer Group Limited	Ordinary	100%	Holding company
The Host Group Limited ¹	Ordinary	100%	Non trading
The Nice Pub Company Limited	Ordinary	100%	Non trading
Tom Cobleigh (Inns) Limited ¹	Ordinary	100%	Non trading
Tom Cobleigh (Trading) Limited ¹	Ordinary	100%	Non trading
Tom Cobleigh Limited	Ordinary	100%	Holding company
Whitegate Taverns Limited	Ordinary	100%	Non trading

¹ Company is in the process of being liquidated.

All directly and indirectly held subsidiary undertakings are registered in England and Wales with the exception of Spirit Group Retail Pubs and Restaurants Limited which is registered in Scotland.

The company also maintains day-to-day control over Spirit Issuer Parent Limited and its wholly owned subsidiary, Spirit Issuer plc, a structured entity that was set up purely for providing finance to the Spirit group of companies.

The directors believe that the carrying value of the investments is supported by their underlying net assets.

37. Called up share capital

Refer to note 22 to the group financial statements.