

Greene King Retailing Limited

Annual Report and Financial Statements

3 May 2015

Registered number 5265451

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Company information

Directors	R Anand SJ Connor K Davis C Houlton R Lewis K Milbanks
Company secretary	Mrs L A Keswick
Registered number	5265451
Registered office	Westgate Brewery Bury St Edmunds Suffolk IP33 1QT
Auditor	Ernst & Young LLP One Cambridge Business Park Cambridge CB4 0WZ

Strategic report

The directors present their Strategic report for the 52 week period ended 3 May 2015

Business review and future outlook

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

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

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

	52 weeks to 3 May 2015 £m	53 weeks to 4 May 2014 £m	Change %
Revenue	677	655	+ 3.4%
Pre-exceptional operating profit	150	157	- 4.5%
Pre-exceptional operating margin	22.2%	24.0%	
EBITDA	185	193	- 4.2%
Outstanding bond issuance	1,241	1,272	- 2.4%
Number of pubs at period end			
- Tenanted	818	1,112	- 26.4%
- Managed	688	645	+ 6.7%

This has been another successful period for Greene King Retailing Limited with record revenue, up 3.4% to £677m. Pre-exceptional operating margin fell slightly to 22.2% due to the impact of the changing channel mix, as the managed business grows its share of revenue.

The increase in the proportion of managed pubs has driven substantial growth in EBITDA per pub during the period, up 13.9% to £123,000. The debt service ratio has remained stable at 1.5 despite increased principle repayments and interest costs.

During the period the company disposed of 289 tenanted pubs. The company acquired 38 managed pubs for a consideration of £74m. In addition 5 pubs were transferred from the company's tenanted to managed businesses.

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 - economic and market risks, financial risks, regulatory risks and operational and people risks.

Economic and market risks

The wider economic situation within the UK continues to affect consumer confidence and the company also faces increasing competitor activity. The consequential impact could reduce revenue, profitability and lead to lower growth rates.

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

Strategic report

Financial risks

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

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

The company is reliant on maintaining sound systems of internal control to deal accurately with the large numbers of transactions undertaken by the business and to ensure compliance with statutory obligations particularly with regard to taxation. Inadequate internal control systems increase the risk of fraud being perpetrated against the company. It could also impact the company's reputation and ongoing creditworthiness.

The company's systems of internal controls include appropriately qualified staff, segregation of duties and authority levels for expenditure and payments.

Regulatory risks

The company will need to comply with the pubs code to be introduced under the Small Business Enterprise and Employment Act 2015. The mandatory "market rent only option" to be introduced and the other provisions thereof could increase costs in the tenanted pub business.

New, innovative agreements are being introduced to minimise the impact of the pubs code.

The company 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 company 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.

Operational and people risks

Brand damage caused by poor service standards, food provenance issues or other factors could deter customers.

The company has tight controls in place to protect and enhance its reputation and brand values.

The company 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 company is reliant on information systems and technology for many aspects of the business. An inability to quickly recover key operating systems could impact its ability to do business and cause reputational damage.

The company's networks are protected by firewalls and anti-virus protection systems. A business continuity plan is in place for critical business processes.

This report was approved by the board on 28 January 2016 and signed on its behalf



K Davis
Director

Directors' report

The directors present their annual report and financial statements for the 52 week period ended 3 May 2015

Results and dividends

The profit after tax and interest was £2m (2014 - loss of £25m) and the directors do not recommend the payment of a dividend (2014 - £nil)

Directors and their interests

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

R Anand	
SJ Connor	(appointed 8 September 2014)
K Davis	(appointed 26 January 2015)
M Fearn	(resigned 29 September 2014)
C Houlton	
S Jebson	(resigned 28 February 2015)
R Lewis	
K Millbanks	
J Smith	(resigned 22 August 2014)
J Webster	(resigned 31 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 company intends to continue operating the areas of management of public houses, and the retailing of beers, wines, spirits and soft drinks for the foreseeable future

Indemnity provision / directors' liabilities

The 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 company'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 company 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 company 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 company operates an HMRC approved share save scheme open to all employees which helps to align employees with the performance of the company. The current scheme is due to expire later in the year and a resolution to approve a new scheme will be proposed at the AGM.

The company 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 company works in partnership with local communities to promote and provide opportunities for all.

Financial instruments

The primary treasury objectives of the company 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 company. If appropriate, the company uses financial instruments and derivatives to manage these risks.

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

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

Directors report

Going concern

The company'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 price, credit, liquidity and cash flow risk are described in the Strategic report.

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 company had net liabilities of £350m and net current liabilities of £257m. Within the net liabilities is a £394m subordinated loan from other group companies. This loan cannot be repaid until all the securitised debt has been fully repaid.

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

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

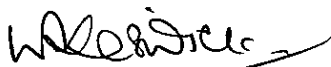
Statement as to disclosure of information to auditor

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

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

Auditor

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



Mrs L A Keswick
Company Secretary

Date 28 January 2016

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the parent company and the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Independent auditor's report

to the members of Greene King Retailing Limited

We have audited the financial statements of Greene King Retailing Limited for the 52 week period ended 3 May 2015 which comprise the income statement, the statement of other comprehensive income, balance sheet, statement of changes in equity, and the related notes 1 to 28. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 101 'Reduced disclosure framework'.

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of directors' responsibilities on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (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 company's and parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 3 May 2015 and of its loss for the 52 week period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us, or
- the company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



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

Date 29 January 2016

Income statement

for the 52 week period ended 3 May 2015

	Notes	52 weeks to 3 May 2015 £m	53 weeks to 4 May 2014 £m
Turnover	3	677	655
Cost of sales		(221)	(220)
Gross profit		456	435
Administrative expenses		(306)	(278)
Exceptional administrative expenses	4	(16)	(56)
Operating profit	5	134	101
Interest receivable and similar income	7	2	2
Interest payable and similar charges	8	(129)	(133)
Profit / (loss) on ordinary activity before taxation		7	(30)
Tax (expense) / credit	9	(5)	5
Profit / (loss) for the period	24	2	(25)

The notes on pages 11 to 29 form part of these financial statements

Statement of other comprehensive income

for the 52 week period ended 3 May 2015

	52 weeks to 3 May 2015 £m	53 weeks to 4 May 2014 £m
Profit / (loss) for the period	2	(25)
Other comprehensive income		
Items that can be reclassified to profit or loss		
(Losses) / gains on cash flow hedges taken to equity	(94)	34
Transfers to income statement on cash flow hedges	29	31
Tax on items relating to components of other comprehensive income	13	(20)
Other comprehensive (loss) / income for the period net of tax	(52)	45
Total comprehensive (loss) / income for the period net of tax	(50)	20

The notes on pages 11 to 29 form part of these financial statements

Balance sheet

as at 3 May 2015

	Notes	3 May 2015 £m	4 May 2014 £m
Fixed assets			
Intangible assets	10	295	292
Tangible assets	11	1,420	1,215
Tangible assets held for sale	12	-	72
Investments	13	22	22
		1,737	1,601
Current assets			
Stocks	15	7	6
Debtors: Amounts falling due after more than one year	16	-	115
Debtors: Amounts falling due within one year	16	44	214
Cash at bank and in hand	17	34	16
		85	351
Creditors: amounts falling due within one year	18	(315)	(433)
Financial instruments	21	(27)	(29)
Net current liabilities		(257)	(111)
Total assets less current liabilities		1,480	1,490
Creditors: amounts falling due after more than one year	19	(1,594)	(1,627)
Financial instruments	21	(209)	(142)
Provision for liabilities	22	(27)	(21)
Net liabilities		(350)	(300)
Capital and reserves			
Share capital	23	-	-
Hedging reserve	24	(188)	(136)
Profit and loss account	24	(162)	(164)
Total equity		(350)	(300)

The financial statements were approved and authorised for issue by the board of directors and signed on its behalf on 28 January 2016 by

K Davis
Director



Statement of changes in equity

as at 3 May 2015

	Share Capital £m	Other reserves £m	Retained earnings £m	Total equity £m
As at 5 May 2014	-	(136)	(164)	(300)
Comprehensive income for the period				
Profit for the period	-	-	2	2
Losses on cash flow hedges taken to equity	-	(94)	-	(94)
Transfers to the income statement on cash flow hedges	-	29	-	29
Tax on cash flow hedges	-	13	-	13
Total comprehensive loss for the period	-	(52)	2	(50)
At 3 May 2015	-	(188)	(162)	(350)

	Share capital £m	Other reserves £m	Retained earnings £m	Total equity £m
As at 29 April 2013	-	(181)	(139)	(320)
Comprehensive income for the period				
Loss of the period	-	-	(25)	(25)
Losses on cash flow hedges taken to equity	-	34	-	34
Transfers to the income statement on cash flow hedges	-	31	-	31
Tax on cash flow hedges	-	(20)	-	(20)
Total comprehensive income for the period	-	45	(25)	20
At 4 May 2014	-	(136)	(164)	(300)

I. Accounting policies

Corporate information

The financial statements of Greene King Retailing Limited for the 52 weeks ended 3 May 2015 were authorised for issue by the board of directors on 28 January 2016. Greene King Retailing Limited is a limited company incorporated and domiciled in England and Wales.

Basis of preparation of financial statements

The financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (July amendment) and applicable accounting standards. The company has used a true and fair view override in respect of the non-amortisation of goodwill.

The company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006, as it is a wholly owned subsidiary of Greene King plc. The results of Greene King Retailing Limited are included in the consolidated financial statements of Greene King plc which are publically available from Westgate Brewery, Bury St Edmunds, Suffolk, IP33 1QT.

Information of the impact first-time adoption of FRS 101 is given in note 28.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 2).

First time application of FRS 100 and FRS 101

In the current 52 weeks ended 3 May 2015 the company has early adopted FRS 100 and FRS 101. In previous periods the financial statements were prepared in accordance with applicable Generally Accepted Accounting Principles in the United Kingdom.

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 FRS 100 and FRS 101 for the first time is included in note 28.

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

The following principal accounting policies have been applied:

Financial Reporting Standard 101 – Reduced disclosure exemptions

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

- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations,
- the requirements of paragraph 33(c) of IFRS 5 Non Current Assets Held For Sale and Discontinued Operations,
- the requirement of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment, because the share based payment arrangement concerns the instruments of another group entity,
- the requirements of IFRS 7 Financial Instruments Disclosures,
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement.
 - paragraph 79(a)(iv) of IAS 1,
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment,
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows,
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors,
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures,
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets, and
- the requirements of paragraph 8(f) of FRS101 prior period comparative disclosures in relation to fixed assets

Going concern

The company'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 price, credit, liquidity and cash flow risk are described in the Strategic report.

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 company had net liabilities of £350m and net current liabilities of £257m. Within the net liabilities is a £394m subordinated loan from other group companies. This loan cannot be repaid until all the securitised debt has been fully repaid.

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

After making enquiries of the directors of Greene King plc, the directors have a reasonable expectation that the company has 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.

Revenue

Generally, revenue represents external sales (excluding taxes) of goods and services, net of discounts. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and is measured at the fair value of consideration receivable, excluding discounts, rebates, and other sales taxes. Revenue principally consists of drink, food and accommodation sales, which are recognised at the point at which goods or services are provided, rental income, which is recognised on a straight line basis over the lease term and machine income, where net takings are recognised as earned.

Goodwill

Goodwill arising from the premium paid on businesses acquired is amortised over its estimated useful life of twenty years. Goodwill is considered for impairment when an impairment indicator arises. The company reviews goodwill over the total pub estate. When indicators of impairment are identified the carrying value of the goodwill is compared to its recoverable amount being the higher of net realisable value and value in use.

Goodwill is capitalised as an intangible asset and is not amortised. Instead it is reviewed annually for impairment with any impairment in carrying value being charged to profit and loss. The Companies Act 2006 requires acquired goodwill to be reduced by provisions for depreciation calculated to write off the amount systematically over a period chosen by the directors, not exceeding its useful economic life.

Had the company amortised goodwill a period of 20 years would have been chosen as the useful life for goodwill. The loss for the period would have been £24m higher had goodwill been amortised. However under IFRS 3 Business Combinations goodwill is not amortised, the company does not amortise goodwill but reviews it for impairment on an annual basis or whenever there are indicators of impairment. The company is therefore invoking a "true and fair override" to overcome the prohibition on the amortisation of goodwill in the Companies Act 2006.

The company has taken the exemption available under paragraph 8(f) of FRS 101 with regard to prior period comparative disclosures.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and impairment losses. 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 furniture and equipment assets are depreciated over their estimated useful lives which range from three to twenty years. Where the carrying value of properties may not be recoverable an impairment in the value of tangible fixed assets is charged to the profit and loss account.

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

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

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

Impairment

Property, plant and equipment

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

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

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

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

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

Goodwill

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

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the company's cash-generating units (or groups of cash-generating units) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which goodwill is allocated represents the lowest level within the group at which goodwill is monitored for internal management purposes and cannot be larger than an operating segment before aggregation

Impairment is determined by the recoverable amount of an operating segment. Where this is less than the carrying value of the operating segment an impairment loss is recognised immediately in the income statement. This loss cannot be reversed in future periods

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, any goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained. Goodwill amortised prior to the conversion to FRS 101 on 28 April 2013 has not been reinstated and the net book value of goodwill at that date has been carried forward as the carrying value

Stocks

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

Investments

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

Cash and cash equivalents

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

Derivatives and financial instruments

The company uses interest rate swaps to hedge its exposure to interest rate fluctuations on its variable rate term loans

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

Hedge accounting

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

Cash flow hedge accounting

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

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

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

Income taxation

The income tax expense comprises both the income tax payable based on profits for the period and the deferred income tax. It is calculated using taxation rates enacted or substantively enacted by the balance sheet date and is measured at the amount expected to be recovered from or paid to the taxation authorities. Income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

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 relating to items recognised directly in equity is recognised in equity and not in the income statement.

Interest-bearing loans and borrowings

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

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.

Trade receivables

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

Trade payables

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

Inter-company balances

Amounts owed by or to company undertakings are classified as short term assets or liabilities unless there is a formal loan arrangement in place that specifies repayment over a period longer than one year from the balance sheet date

Leasing commitments

Rentals paid under operating leases are charged to the profit and loss account on a straight-line basis over the lease term

Exceptional items

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

2. Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

Taxation

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

Impairment of goodwill

The company determines whether goodwill is impaired on at least an annual basis. Details of the tests and carrying value of the assets are shown in note 10. This requires an estimation of the value-in-use of the cash-generating units to which the goodwill is allocated. Value-in-use calculations require assumptions to be made regarding the expected future cash flows from the cash-generating unit and choice of a suitable discount rate in order to calculate the present value of those cash flows. If the actual cash flows are lower than estimated, future impairments may be necessary.

Impairment of tangible fixed assets

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

Note 11 describes the assumptions used in the impairment testing of tangible fixed assets 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.

3. Turnover

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

4. Exceptional items

	52 weeks to 3 May 2015 £m	53 weeks to 4 May 2014 £m
Impairment of tangible fixed assets	17	39
Impairment of intangible fixed assets	-	11
Net (profit) / loss on disposal of tangible and intangible assets	(1)	6
	16	56

During the period the company recognised an impairment loss of £17m (2014 - £39m) in respect of its licenced estate. The impairment has been recognised in respect of pubs where the higher of value-in-use and fair value less costs of disposal has fallen below the net book value.

The net profit on disposal of tangible and intangible assets of £1m (2014 - £6m loss) comprises a total profit on disposal of £6m (2014 - £5m) and a total loss on disposal of £5m (2014 - £11m).

5. Operating profit

	52 weeks to 3 May 2015 £m	53 weeks to 4 May 2014 £m
Operating profit is stated after charging/(crediting)		
Operating lease rentals – minimum lease rentals	1	1
Depreciation of owned tangible fixed assets (note 11)	35	36
Impairment of tangible fixed assets (note 11)	17	39
Impairment of intangible fixed assets	-	11
Net (profit) / loss on disposal of tangible fixed assets and goodwill	(1)	6

Auditor's remuneration for both audit and non-audit services has been borne by other company undertakings. The audit fee for the Greene King plc company for the 52 weeks ended 3 May 2015 was £0.3m (2014 - £0.3m), of which an audit fee of £15,000 (2014 - £15,000) is allocated to this company.

6. Employment costs

During the period the company paid £139m (2014 - £124m) to Greene King Brewing and Retailing Limited, a fellow group undertaking. This payment was to procure the secondment of employees from two other companies, Greene King Services Limited and Greene King Retail Services Limited, both of whom are fellow subsidiaries of Greene King plc.

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

	52 weeks to 3 May 2015 No	53 weeks to 4 May 2014 No
Retailing	14,793	12,703

The figure above includes 9,355 (2014 - 6,826) part-time employees.

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

The directors who held office during the period were also directors of fellow company undertakings. Total emoluments, including any pension contributions, received by these directors totals £4m (2014 - £5m) 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 7 (2014 - 9).

7. Interest receivable

	52 weeks to 3 May 2015 £m	53 weeks to 4 May 2014 £m
Interest receivable from group undertakings	2	2

8. Interest payable and similar charges

	52 weeks to 3 May 2015 £m	53 weeks to 4 May 2014 £m
Borrowings	79	82
Subordinated loans from group undertakings	50	51
	129	133

9. Taxation

	52 weeks to 3 May 2015 £m	53 weeks to 4 May 2014 £m
Current income tax		
UK Corporation tax	5	5
Adjustment in respect of prior periods	-	1
	5	6
Deferred taxation		
Origination/reversal of timing differences in the period	-	(5)
Credit in respect of rate change	-	(6)
	5	(11)
Tax expense / (credit) in the income statement	5	(5)

Reconciliation of tax expense / (credit) for period

The tax expense in the income statement is higher than (2014 - higher) than the standard rate of corporation tax of 20.9% (2014 - 22.8%). The differences are explained below:

	52 weeks to 3 May 2015 £m	53 weeks to 4 May 2014 £m
Profit / (loss) on ordinary activity before tax	7	(30)
Profit / (loss) on ordinary activity multiplied by standard rate corporation tax in the UK of 20.9% (2014 - 22.8%)	1	(7)
Effects of:		
Expenses not deductible for tax purposes	-	12
Adjustment in respect of prior periods	-	1
Deferred tax credit in respect of licensed estate	6	(3)
Deferred tax credit in respect of rate change	-	(6)
Group relief received for nil consideration	(2)	(2)
	5	(5)

During the period a deferred tax credit of £13m (2014 charge of £20m) has been recognised in the Statement of other comprehensive income relating to the net (losses) / gains on cash flow hedges taken to equity

Factors that may affect future tax charges

The Finance Act 2013 reduced the rate of corporation tax from 21% to 20% from 1 April 2015

The Finance Act (No 2) 2015 further reduced the corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020. These further reductions had not been substantively enacted at the balance sheet date and consequently are not included in these financial statements

The above changes to the rate of corporation tax may impact the amount of future cash tax payments to be made by the company

10. Goodwill

	£m
Cost	
At 4 May 2014	292
Acquisitions	5
Disposals	(2)
	295
Net book value	
At 3 May 2015	295
At 4 May 2014	292

Goodwill has been allocated to operating segments, the lowest group of cash generating units in the company at which goodwill is monitored internally, based on the extent that the benefits of acquisitions flow to that segment.

Goodwill disposed of in the period is the amount of goodwill allocated to parts of operating segments disposed of during the period. The amount disposed is calculated based on the relative value of the operation disposed and the portion of the operating segment retained.

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

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

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

Cash flows are discounted at 9.0% (2014: 9.0%) which is used as an approximation for the risk-adjusted discount rate of the relevant operating segment. A growth rate of 1.0% (2014: 2.0%) has been used to extrapolate cash flows. The growth rate is below the long-term average growth rate for the industry and reflects trends in trading performance.

Further details of the adjustments to goodwill following conversion to FRS 101 are included in note 28.

Sensitivity to changes in assumptions

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

II. Tangible fixed assets

	Land & buildings £m	Fixtures, fittings & equipment £m	Total £m
Cost			
At 4 May 2014	1,203	322	1,525
Additions	215	50	265
Disposals	(18)	(14)	(32)
At 3 May 2015	1,400	358	1,758
Depreciation			
At 4 May 2014	117	193	310
Charge for the period	5	30	35
Impairment	17	-	17
Disposals	(16)	(8)	(24)
At 3 May 2015	123	215	338
Net book value			
At 3 May 2015	1,277	143	1,420
At 4 May 2014	1,086	129	1,215

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

	2015 £m	2014 £m
Freehold	1,228	1,037
Leasehold properties > 50 years unexpired term	38	38
Leasehold properties < 50 years unexpired term	11	11
	1,277	1,086

Impairment

During the period £17m of impairment losses (2014 £39m) were recognised in the income statement as exceptional administrative expenses

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

The company estimates value-in-use using a discounted cash flow model. The key assumptions used are the discount rate applied to cash flow projections of 9% (2014 9%) and the projected cash flows extrapolated using an average growth rate of 1% (2014 2%) which is below the long-term average growth rate for the industry and reflects trends in trading performance. Cash flow projections relating to individual CGUs have been made based on historic trends adjusted for management's estimates of medium term trading prospects.

Estimates of fair value less costs of disposal are based on valuations undertaken by in-house property experts. The valuation considers assumptions such as current, and future projected income levels, which take account of the location and quality of the pub. In addition recent market transactions in the sector and potential alternative use values have been considered.

The valuation techniques applied are consistent with the principles in IFRS13 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 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

	2015 £m	2014 £m
Increased impairment resulting from a 10% reduction in fair value less cost of disposal	5	5
Increased impairment resulting from a 1% increase in discount rate	4	3
Increased impairment resulting from a 1% reduction in growth rate	4	3

12. Tangible assets held for sale

At the period end, tangible fixed assets held for sale of £nil (2014 - £72m) represents pubs that are being actively marketed for sale with expected completion dates within one year. The value of tangible fixed assets held for sale represents the expected net disposal proceeds. The impairment charge on reclassification to assets held for sale for these sites was £nil (2014 - £19m), and is included as an exceptional item (see note 9).

13. Investments

	2015 £m	2014 £m
Shares in subsidiaries at cost	22	22

The following were subsidiary undertakings of the company, all subsidiaries were incorporated in England and Wales, they all held property until January 2015, when they all operated as financing companies

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

14. Business combinations

On 30 May 2014 the company acquired 38 sites from Greene King Brewing and Retailing Limited, a fellow group undertaking for consideration of £74m settled in cash.

The fair value of the identifiable assets and liabilities acquired as at the date of acquisition were tangible fixed assets £74m, stocks £1m, other payables/accruals £1m and £5m deferred tax liabilities. The fair value review was carried out by qualified surveyors employed by the Greene King plc group. Goodwill arising on acquisition was therefore £5m as disclosed in note 10.

From the date of acquisition to 3 May 2015 the acquired sites contributed revenue of £31m and operating profit of £6m to Greene King Retailing Limited.

15. Stocks

	2015 £m	2014 £m
Finished goods for resale	7	6

During the period the company recognised £221m (2014 - £220m) cost of stocks as an expense within cost of sales.

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

16. Debtors

	2015 £m	2014 £m
Due after more than one year		
Amounts owed by group undertakings	-	115
Due within one year		
Trade debtors	8	9
Amounts owed by group undertakings	-	182
Other debtors	2	3
Prepayments and accrued income	3	3
Deferred taxation	31	17
	44	214

17. Cash and cash equivalents

	2015 £m	2014 £m
Cash at bank and in hand	34	16

18. Creditors: amounts falling due within one year

	2015 £m	2014 £m
Term advances	33	31
Trade creditors	168	130
Amounts owed to fellow company undertakings	70	231
Corporation tax	-	1
Taxation and social securities	3	4
Accruals and deferred income	41	36
	315	433

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

19. Creditors: amounts falling due after one year

	2015 £m	2014 £m
Term advances	1,200	1,233
Subordinated loan	394	394
	1,594	1,627

The subordinated loan is not repayable until all other borrowings have been repaid. This is currently scheduled to be December 2036. Interest accrues at 12.5% per annum and can only be paid if the Greene King Retailing Parent Limited group, which incorporates this entity, meets its financial covenants.

20. Borrowings

	Within one year £m	2015 After one year £m	Total £m
Securitised debt with Greene King Finance plc			
Term Advances A1	9	114	123
Term Advances A2	5	238	243
Term Advances A3	12	73	85
Term Advances A4	-	259	259
Term Advances A5	7	243	250
Term Advances ABI	-	60	60
Term Advances B1	-	121	121
Term Advances B2	-	100	100
	33	1,208	1,241
Deferred issue costs	-	(8)	(8)
	33	1,200	1,233

	Within one year £m	2014 After one year £m	Total £m
Securitised debt with Greene King Finance plc			
Term Advances A1	9	123	132
Term Advances A2	4	243	247
Term Advances A3	11	85	96
Term Advances A4	-	259	259
Term Advances A5	7	250	257
Term Advances ABI	-	60	60
Term Advances B1	-	121	121
Term Advances B2	-	100	100
	31	1,241	1,272
Deferred issue costs	-	(8)	(8)
	31	1,233	1,264

During the prior period Greene King plc purchased the ABI Term advances

Maturity of financial liabilities and expiry of facilities

	2015 £m	2014 £m
Within one year or on demand	33	31
Between one and two years	34	33
Between two and five years	115	108
After five years	1,051	1,092
	1,233	1,264

Securitised debt

Greene King Finance plc has issued various tranches of bonds totalling £1 500 0m, in connection with the securitisation of 2,035 of the Greene King plc company's pubs held by Greene King Retailing Limited at the date of the most recent tap. Greene King Retailing Limited has issued Term advances to Greene King Finance plc with similar terms to the bonds issued by Greene King Finance plc. The bonds are secured over the properties and their future income streams.

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

21. Financial instruments

The company's objectives and policies on the use of financial instruments are detailed below. All financial assets and liabilities are denoted in sterling.

	2015 £m	2014 £m
Financial liabilities		
Derivatives due within 1 year	27	29
Derivatives due after 1 year	209	142
	236	171
Term advances due within 1 year	33	31
Term advances due after 1 year	1,200	1,233
Subordinated loan	394	394
	1,863	1,829

	Repayment date	Nominal interest rate	Nominal Value 2015 £m	Carrying Value net of deferred issue costs 2015 £m
Securitised debt with Greene King Finance plc				
Term Advances A1	2012 to 2031	Variable	123	122
Term Advances A2	2005 to 2031	5.32%	243	240
Term Advances A3	2006 to 2021	Variable	85	84
Term Advances A4	2021 to 2034	5.11%	259	258
Term Advances A5	2008 to 2033	Variable	250	250
Term Advances ABI	2033 to 2036	Variable	60	60
Term Advances B1	2031 to 2034	5.70%*	121	120
Term Advances B2	2034 to 2036	Variable	100	99
			1,241	1,233

*Fixed at 5.70% until 2020 then payable/receivable at three month sterling LIBOR plus a margin of 0.72%

The interest on the A1, A3, A5, ABI and B2 Term Advances is payable at three month sterling LIBOR plus a margin of 0.95%, 0.50%, 1.00%, 2.10% and 0.83% respectively. Repayment is made on quarterly dates within the date ranges shown above.

Cash Flow Hedges

At 3 May 2015 the company held 5 (2014: 5) interest rate swap contracts for a nominal value of £618m (2014: £645m), entered into as part of the securitisation and subsequent securitisation taps.

Interest rate swaps are valued by discounting all future cash flows by the market yield curve at the balance sheet date and adjusting for, where appropriate, the company's and counterparty credit risk. The changes in credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships.

A fair value liability of £236m (2014: £171m) has been recognised on the balance sheet in respect of these contracts which are designated cash flow hedges against £618m (2014: £645m) of variable rate bonds, receiving a variable rate of interest based on LIBOR and paying a weighted average fixed rate of 7.3% (2014: 7.3%). The contract maturity dates are December 2034 and March 2036. The bonds and interest rate swaps have the same crucial terms excluding credit risk.

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

22. Deferred taxation

	£m
At 4 May 2014	(4)
Charged to equity	13
Arising on business combinations	(5)
At 3 May 2015	4

	2015 £m	2014 £m
Deferred tax liability		
Accelerated capital allowances	(16)	(17)
Rolled over gains and property revaluation	(27)	(21)
	(43)	(38)
Deferred tax asset (note 16)		
Derivatives	47	34
Net deferred tax asset / (liability)	4	(4)

Deferred tax assets and liabilities have been offset as follows

	2015 £m	2014 £m
Deferred tax liability	(43)	(38)
Offset against deferred tax assets	16	17
Deferred tax liability	(27)	(21)
Deferred tax asset	47	34
Offset against deferred tax liabilities	(16)	(17)
Deferred tax asset	31	17

23. Share capital

	2015 £	2014 £
Allotted, called up and fully paid		
1 Ordinary share of £1	1	1

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

24. Reserves

	Share capital £m	Hedging reserve £m	Profit and loss £m	Total £m
At 28 April 2013	-	(181)	(139)	(320)
Cash flow hedges – profit taken to equity	-	45	-	45
Loss after tax	-	-	(25)	(25)
At 4 May 2014	-	(136)	(164)	(300)
Cash flow hedges – loss taken to equity	-	(52)	-	(52)
Loss after tax	-	-	2	2
At 3 May 2015	-	(188)	(162)	(350)

25. Commitments under operating leases

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

	2015 £m	2014 £m
Not later than 1 year	1	1
Later than 1 year and not later than 5 years	3	3
Later than 5 years	36	37
	40	41

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

	2015 £m	2014 £m
Not later than 1 year	27	32
Later than 1 year and not later than 5 years	77	81
Later than 5 years	45	51
	149	164

Future minimum rentals include £2m receivable in respect of non-cancellable subleases

26. Related party transactions

During the period the company entered into transactions, in the ordinary course of business, with other related parties. The company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow 100% owned group undertakings. Transactions entered into, and trading balances outstanding at 3 May 2015 with other related parties did not occur during the fiscal years 2015 and 2014.

27. Ultimate parent company

At 3 May 2015, the directors consider the immediate parent undertaking and immediate controlling party of Greene King Retailing Limited to be Greene King Retailing Parent Limited, a company incorporated in England and Wales.

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

28 First time adoption of FRS101

In the current 52 weeks ended 3 May 2015 the company has early adopted FRS 100 and FRS 101. In previous periods the financial statements were prepared in accordance with applicable Generally Accepted Accounting Principles in the United Kingdom. These financial statements, for the period ended 3 May 2015, are the first the company has prepared in accordance with FRS 101.

Accordingly, the company has prepared individual financial statements which comply with FRS 101 applicable for periods beginning 4 May 2014 and the significant accounting policies meeting those requirements are described in the relevant notes.

In preparing these financial statements, the company has started from an opening balance sheet as at 28 April 2013, the company's date of transition to FRS 101, and made those changes in accounting policies and other restatements required for the first-time adoption of FRS 101. As such, this note explains the principal adjustments made by the company in restating its balance sheet as at 28 April 2013 prepared extant UK GAAP and its previously published UK GAAP financial statements for the 53 weeks ended 4 May 2014.

Notes to the financial statements

for the period ended 3 May 2015

	Note	28 April 2013 As previously stated £m	28 April 2013 Effect of transition £m	28 April 2013 FRS101 (as restated) £m	4 May 2014 As previously stated £m	4 May 2014 Effect of transition £m	4 May 2014 FRS101 (as restated) £m
Goodwill	1	309	-	309	285	7	292
Tangible fixed assets	2	1,303	(3)	1,300	1,287	(72)	1,215
Fixed assets held for sale	2	-	3	3	-	72	72
Fixed asset investments		22	-	22	22	-	22
Current assets		1,634	-	1,634	1,594	7	1,601
Creditors' amounts falling due within one year	3	334	33	367	334	17	351
Financial instruments		(399)	-	(399)	(433)	-	(433)
		-	(31)	(31)	-	(29)	(29)
Net current assets		(65)	2	(63)	(99)	(12)	(111)
Total assets less current liabilities		1,569	2	1,571	1,495	(5)	1,490
Creditors' amounts falling due after more than one year	3	(1,661)	3	(1,658)	(1,630)	3	(1,627)
Financial instruments		-	(204)	(204)	-	(142)	(142)
Provisions for liabilities	4	(21)	(7)	(28)	(17)	(4)	(21)
		(113)	(206)	(319)	(152)	(148)	(300)
Capital and reserves		(113)	(206)	(319)	(152)	(148)	(300)

Notes to the financial statements

for the period ended 3 May 2015

	Notes	4 May 2014 As previously stated £m	4 May 2014 Effect of transition £m	4 May 2014 FRS101 (as restated) £m
Turnover		655	-	655
Cost of sales		(220)	-	(220)
Administrative expenses	1	435 (341)	- 7	435 (334)
Operating profit		94	7	101
Interest receivable and similar income		2	-	2
Interest payable and similar income		(133)	-	(133)
Taxation	4	(2)	7	5
Loss on ordinary activities after taxation and for the financial period		(39)	14	(25)

Explanation of changes to previously reported profit and equity

- Goodwill was amortised over its useful economic life under UK GAAP. On transition to FRS101 Goodwill is considered to have an indefinite life in accordance with IAS 38, and is tested annually for impairment in accordance with IAS 36. On transition to FRS101 the company took advantage of the exemption within Appendix C of IFRS1 not to restate its business combinations and the carrying value of goodwill remains unchanged.
For the period ending 4 May 2014, the amortisation previously recognised under UK GAAP of £24m has been reversed, and £6m of the company goodwill has been disposed of during the period relating to the relative value of the sites disposed and the portion of the operating segment retained. A further £11m of goodwill has been impaired following the announcement of the disposal of 256 non-core pubs on 1 May 2014, this disposal completed on 2 June 2014.
- In accordance with IFRS 5, the company has recognised tangible assets held for sale representing pubs that are being actively marketed for sale with expected completion dates within one year. See note 12 for further details.
- The company has adopted IAS 39 recognising an opening balance liability of £235m based on the fair value of the interest rate swaps held by the company, see note 21 for further details. As at 4 May 2014 the fair value of interest rate swaps were £171m. The full movement in fair value have been recognised in the hedging reserve as the cash flow hedges have been assessed as 100% effective. Disclosed within current assets, a deferred tax asset has been recognised of £34m (2013 - £54m) in relation to this liability, with the movement in 2014 being taken to the statement of comprehensive income.
- IFRSs defines deferred tax in relation to temporary differences between carrying values and their related tax bases, rather than timing differences in the income statement, adjustments are required to recognise items for which no deferred tax was recognised under UK GAAP. As such, a deferred tax liability of £21m (2013 - £28m) in relation to rolled over gains and property revaluation. Deferred tax liabilities of £17m (2013 - £21m) have been offset against deferred tax assets.