Company number: 07662835

Spirit Pub Company Limited (formerly Spirit Pub Company plc)

Strategic Report, Directors' Report and Financial Statements

52 weeks ended 22 August 2015

CONTENTS

STRATEGIC REPORT

The directors present this strategic report, the Directors' report and the financial statements of Spirit Pub Company Limited ('the Company') and the Spirit Pub Company group ('the Group') for the 52 week period ended 22 August 2015.

Change of control and name

On 23 June 2015, 100% of the ordinary share capital of the Company, the ultimate parent of the Group, was acquired by Greene King plc and the Company's shares ceased trading on the London Stock Exchange. Following the delisting of its shares the Company changed its status from a public limited company to a private limited company with effect from 3 August 2015.

Principal activities

The principal activity of the Company is that of a non-trading investment holding company. The principal activity of the Group is that of pub retailing and the leasing of public houses.

Results and dividends

The results for the 52 week period are set out on page 8.

During the year the Company paid the 2014 final dividend of 1.5 pence per share and declared and paid a special interim dividend of 6.5 pence per share.

The directors do not recommend payment of an ordinary dividend.

Business review

Group financial performance

	2015 (52 weeks)	2014 (53 weeks)	Change
EBITDA[1]	£158.0m	£159.4m	-1%
Profit before tax[1]	£60.8m	£60.3m	+1%
Nominal value of net debt	£698.6m	£641.4m	-9%
Net debt to EBITDA[1]	4.4 times	4.0 times	-0.4 times

[1] Excluding exceptional items (analysed separately in note 6 to the financial statements)

Statutory results (incuding exceptional items)

- EBITDA of £131.4m (2014: £142.4m)
- Profit before tax £22.4m (2014: £110.2m)
- Net pre-tax loss from exceptional items of £38.4m (2014: pre-tax profit £49.9m)

Review

The Group delivered another strong performance for the year, despite the market remaining highly competitive, with profit before tax and exceptional items increasing by 1% to £60.8m.

On 23 June 2015 the Company was acquired by Greene King plc and subsequently the Company re-registered as a private limited company.

The trading momentum of the Managed pubs continued, in the year, with total revenue up 4% as a result of both like for like sales growth of 0.9% and the contribution from recently acquired pubs, with a further seven pubs having been acquired in the year. The sales growth, together with a relatively benign cost environment and strong cost control enabled divisional EBITDA (before exceptional items) to grow 3% to £130.1m.

During the year a total of 224 pub refurbishments (including 77 minor refurbishments) were completed in the Managed estate. As well as the investment and integration of the acquired pubs, the focus has been on converting pubs from the locals estate into either Flaming Grill or Golden Oak Inns formats which have a greater food mix. The planned refresh programme for the Chef & Brewer estate has also continued in the year, with 63 schemes completed.

Total EBITDA (before exceptional items) decreased only marginally in the Leased estate to £33.2m (2014: £33.3m), despite a 5% reduction in pub numbers and only 52 weeks trading (2014: 53 weeks). The quality of the Leased estate has continued to improve through investment, innovation and selective disposals.

The annual valuation of the property portfolio was completed in August 2015 and has resulted in a valuation uplift of £66m of which £15m was the reversal of previous impairments.

Cash generated from operating activities was £124m, of which £69m was reinvested into the estate as capital expenditure. Disposals raised proceeds of £22m of which £15m was from the sale of one pub reflecting the development potential of this site in London. £53m was returned to shareholders by way of dividends, including a special interim of 6.5 pence per share (£43m) which was paid on completion of the acquisition by Greene King.

At 22 August 2015, the Group had £788m debt in the form of long-term mortgage type finance, secured on a portfolio of 1,054 properties. The debt fully repays over terms extending to 21 years and, due to interest rate swaps, is predominantly at fixed rates of interest.

Risks and Uncertainties

The Group is exposed to a variety of financial, operational, economic and regulatory risks and uncertainties. The principal risks and how they are managed are detailed below. The Group also has exposure to interest rate risk, liquidity risk, capital risk and credit risk arising from the Group's financial instruments, and these are set out in note 20(b).

Economic climate and competition

The Group's operations are sensitive to economic factors such as interest rates, changes in real wages, unemployment levels, tax, availability of consumer credit and house prices which can impact on consumer confidence levels which could affect the level of discretionary spending levels across the hospitality sector. There is also a risk that the Group could lose market share as competitor activity increases.

- The Group has a diverse brand proposition that can adapt to social changes. Menus, pricing and promotional offers are continually monitored and reviewed to adapt to the needs of guests.

System failure or cyber security breach

There is a risk that business operations could be adversely impacted by the loss or partial loss of a critical system or sensitive information due to a system failure or cyber security breach.

- Networks and systems are protected by anti-virus software, firewalls and network segmentation that are regularly updated and regular internal and external penetration testing is performed by accredited providers. Incident management, business continuity management and IT disaster recovery plans are in place for critical business processes to mitigate the effects of the business being unable to operate in the event of a major incident.

Recruitment and retention of talent

Failure to recruit, train and successfully retain key employees and licensees, and to carry out appropriate succession planning, could impact the ability to deliver the Group's strategic plans.

- A well developed, coherent programme of recruitment, induction training and coaching is provided for employees of the Group and to new licensees within the Leased estate.
- There is succession planning at all levels to ensure high calibre individuals are retained and talent development is accelerated.
- There is a formal remuneration strategy to ensure individuals and teams are paid fairly and competitively.

Liquidity and going concern

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 agreements could restrict the ability of the Group to fund the business strategy, by restricting the uses to which cash could be put. Cash flow volatility (driven by the seasonality of cash flows) could also result in a going concern risk.

- Covenants are closely monitored and stress tested to ensure the Group is able to generate sufficient returns to service debt and meet covenant requirements. After reviewing budgets and other longer term plans and making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they adopt the going concern basis of accounting in preparing the financial statements.

Changes in legislation and political risks
The Group is subject to many different areas of regulation, particularly due to the high level of control over the sale of alcohol, and can be subject to the consequences of delay and failure to obtain required licences, permits and approvals. Increasing public focus in areas such as binge drinking, underage drinking and health impacts over recent years means that the government may introduce further regulation.

- The Group works closely with trade bodies to address the key issues facing the pub sector.
- The Group ensures that training provided covers all aspects of licensing requirements and has appropriate due diligence measures in place to confirm that all pubs meet all licensing legislation.

Service standards, brands and reputation
An issue may occur which could materially impact or damage the reputation of one of the Managed pub brands. This could affect the ability of the brand to attract future guests or negatively impact the ability of that brand to generate income. Increased use of digital and social media may exacerbate or accelerate the consequences of any such issue.

- The Group continues to focus on training to ensure that teams are motivated to create a great guest experience. Standards, surveys and social media are monitored so that any specific concerns can be addressed.

On behalf of the Board

Kirk Davis
16 December 2015

DIRECTORS' REPORT

Directors

The following directors have held office since 24 August 2014:

Walker Boyd	(Resigned 23 June 2015)
Mike Tye	(Resigned 23 June 2015)
Paddy Gallagher	(Resigned 23 June 2015)
Tony Rice	(Resigned 23 June 2015)
Mark Pain	(Resigned 23 June 2015)
Christopher Bell	(Resigned 23 June 2015)
Julie Chakraverty	(Resigned 23 June 2015)
Rooney Anand	(Appointed 23 June 2015)
Kirk Davis	(Appointed 23 June 2015)

Qualifying third party indemnity provisions

A third party indemnity provision (as defined in section 234 of the Companies Act 2006) is in force for the benefit of the directors of the Company.

Political contributions and charitable donations

During the 52 week period ended 22 August 2015, the Company made no political contributions or charitable donations.

Employee involvement

The Group recognises the value of its employees and seeks to create an energetic, dynamic and responsive environment in which to work. It places considerable importance on communications with employees which take place at many levels through the organisation on both a formal and informal level. Prior to the acquisition of the Group by Greene King plc, employees were encouraged to participate in the success of the business through participation in the Group's Inland Revenue Approved Share Incentive Plan.

Disabled persons

The Group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by handicapped or disabled persons. Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate.

Auditor

The Company has elected to dispense with the obligation to appoint an auditor annually under s487 of the Companies Act 2006.

Statement of disclosure to auditor

So far as the directors are aware, there is no relevant audit information of which the Company's auditor is unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the Company's auditor is aware of that information.

On behalf of the Board

Kirk Davis
16 December 2015

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law the directors have elected to prepare the group and parent company financial statements in accordance with IFRSs as adopted by the EU 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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the group and parent company financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPIRIT PUB COMPANY LIMITED (FORMERLY SPIRIT PUB COMPANY PLC)

We have audited the financial statements of Spirit Pub Company Limited (formerly Spirit Pub Company plc) for the 52 weeks ended 22 August 2015 set out on pages 8 to 53. The financial reporting framework that has been applied in the preparation of the group and parent company financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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 Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 22 August 2015 and of the group's profit for the 52 weeks then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

G Watts

Greg Watts (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill, Snow Hill Queensway, Birmingham, B4 6GH
18 December 2015

CONSOLIDATED INCOME STATEMENT
for the 52 weeks ended 22 August 2015

		52 weeks to 22 August 2015			53 weeks to 23 August 2014		
	Notes	**Pre-exceptional items £m**	**Exceptional items[1] £m**	**Total £m**	Pre-exceptional items £m	Exceptional items[1] £m	Total £m
Revenue	2	**814.2**	**-**	**814.2**	800.9	-	800.9
Operating costs before depreciation and amortisation		**(656.2)**	**(26.6)**	**(682.8)**	(641.5)	(17.0)	(658.5)
EBITDA[2]	2	**158.0**	**(26.6)**	**131.4**	159.4	(17.0)	142.4
Depreciation and amortisation		**(38.6)**	**-**	**(38.6)**	(38.2)	-	(38.2)
Property related gains (including impairment)	6	**-**	**14.5**	**14.5**	-	71.6	71.6
Profit on sale of non-current assets		**-**	**7.6**	**7.6**	-	18.7	18.7
Operating profit / (loss)	3	**119.4**	**(4.5)**	**114.9**	121.2	73.3	194.5
Finance income	4	**0.8**	**-**	**0.8**	0.5	2.0	2.5
Finance costs[3]	5	**(59.4)**	**(33.9)**	**(93.3)**	(61.4)	(25.4)	(86.8)
Profit / (loss) before tax		**60.8**	**(38.4)**	**22.4**	60.3	49.9	110.2
UK income tax (charge) / credit	8	**(15.2)**	**5.9**	**(9.3)**	(13.2)	2.4	(10.8)
Profit / (loss) attributable to owners of the parent company		**45.6**	**(32.5)**	**13.1**	47.1	52.3	99.4

[1] Exceptional items are explained in note 1 and analysed in note 6.
[2] EBITDA represents earnings before depreciation and amortisation, property related gains (including impairment), profit on sale of non-current assets, finance income, finance costs and UK Corporation tax of the Group.
[3] Exceptional finance costs includes £33.0m (2014: £21.1m) in relation to the movement in fair value of interest rate swaps. In the prior year this was presented as a separate line item, but has been re-presented within finance costs to align the presentation with that used by the ultimate parent undertaking, Greene King plc.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the 52 weeks ended 22 August 2015

	Notes	**52 weeks to 22 August 2015 £m**	53 weeks to 23 August 2014 £m
Profit attributable to owners of the parent company		**13.1**	99.4
Items that will not be reclassified to profit or loss			
Re-measurement loss on defined benefit pension schemes	25	**(15.9)**	(8.0)
Unrealised gain on revaluation of the property portfolio		**51.1**	67.5
Tax credit relating to components of other comprehensive income	8	**2.0**	1.5
Total items that will not be reclassified to profit or loss and other comprehensive gains		**37.2**	61.0
Total comprehensive gain attributable to owners of the parent company		**50.3**	160.4

CONSOLIDATED BALANCE SHEET
at 22 August 2015

	Notes	**22 August 2015 £m**	23 August 2014 £m
Assets			
Non-current assets			
Property, plant and equipment	10	**1,525.6**	1,435.2
Operating leases	11	**61.4**	66.4
Goodwill	11	**211.2**	212.1
Deferred tax assets	15	**31.9**	38.5
		1,830.1	1,752.2
Current assets			
Inventories	16	**9.4**	9.2
Trade and other receivables	14	**49.7**	26.0
Assets held for sale	17	**8.5**	11.3
Cash and cash equivalents	24	**89.8**	159.1
		157.4	205.6
Total assets		**1,987.5**	1,957.8
Liabilities			
Current liabilities			
Trade and other payables	18	**(157.3)**	(151.9)
Borrowings	19	**(13.1)**	(14.7)
Derivative financial instruments	20	**(22.9)**	(20.8)
Provisions	21	**(32.2)**	(35.3)
		(225.5)	(222.7)
Non-current liabilities			
Trade and other payables	18	**(18.9)**	(15.5)
Borrowings	19	**(801.1)**	(813.6)
Derivative financial instruments	20	**(160.0)**	(133.8)
Retirement benefit obligations	25	**(16.8)**	(3.8)
Provisions	21	**(40.6)**	(42.2)
		(1,037.4)	(1,008.9)
Total liabilities		**(1,262.9)**	(1,231.6)
Net assets		**724.6**	726.2
Equity			
Called up share capital	23	**6.7**	6.6
Share premium		**5.3**	-
Revaluation reserve		**319.9**	275.4
Merger reserve		**1,587.2**	1,587.2
Share based payment reserve		**0.3**	4.5
Retained earnings		**(1,194.8)**	(1,147.5)
Total equity		**724.6**	726.2

On behalf of the Board

Kirk Davis
16 December 2015

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the 52 weeks ended 22 August 2015

	Share capital £m	Share premium £m	Revaluation reserve £m	Merger reserve £m	Share based payment reserve £m	Retained earnings £m	Total equity £m
At 17 August 2013	6.6	-	209.2	1,587.2	2.9	(1,228.8)	577.1
Profit for the period	-	-	-	-	-	99.4	99.4
Other comprehensive gains / (losses)	-	-	66.2	-	-	(5.2)	61.0
Total comprehensive gain	-	-	66.2	-	-	94.2	160.4
Dividends paid	-	-	-	-	-	(13.8)	(13.8)
Share based payment expense	-	-	-	-	1.6	0.9	2.5
At 23 August 2014	6.6	-	275.4	1,587.2	4.5	(1,147.5)	726.2
Profit for the period	-	-	-	-	-	13.1	13.1
Other comprehensive gains / (losses)	-	-	44.5	-	-	(7.3)	37.2
Total comprehensive gain	-	-	44.5	-	-	5.8	50.3
Issued share capital	0.1	5.3	-	-	(5.4)	-	-
Dividends paid	-	-	-	-	-	(53.1)	(53.1)
Share based payment expense	-	-	-	-	1.2	-	1.2
At 22 August 2015	**6.7**	**5.3**	**319.9**	**1,587.2**	**0.3**	**(1,194.8)**	**724.6**

CONSOLIDATED CASH FLOW STATEMENT
for the 52 weeks ended 22 August 2015

	52 weeks to 22 August 2015 £m	53 weeks to 23 August 2014 £m
Cash flows from operating activities		
Operating profit	**114.9**	194.5
Depreciation and amortisation	**38.6**	38.2
Exceptional operating items	**4.5**	(73.3)
EBITDA before exceptional items	**158.0**	159.4
Decrease in provisions	**(8.3)**	(10.2)
Working capital and other non-cash movements	**(19.3)**	22.4
Difference between pension contributions paid and amounts recognised in operating profit	**(6.4)**	(6.4)
Net cash generated from operating activities	**124.0**	165.2
Cash flows from investing activities		
Purchase of property, plant and equipment	**(69.2)**	(44.1)
Proceeds from sale of property, plant and equipment and assets held for sale	**22.4**	34.2
Amounts paid to Greene King plc	**(20.5)**	-
Interest received	**0.8**	0.5
Net cash used in investing activities	**(66.5)**	(9.4)
Cash flows from financing activities		
Interest paid	**(61.1)**	(62.6)
Capitalised issue costs paid	**-**	(6.9)
Repayment of borrowings	**(12.1)**	(6.9)
Repayment of derivative financial instruments and other costs on repayment of borrowings	**-**	(7.6)
Repayments of obligations under finance leases	**(0.5)**	(0.5)
Dividends paid	**(53.1)**	(13.8)
Net cash used in financing activities	**(126.8)**	(98.3)
Net (decrease) / increase in cash and cash equivalents	**(69.3)**	57.5
Opening cash and cash equivalents	**159.1**	101.6
Closing cash and cash equivalents	**89.8**	159.1

COMPANY BALANCE SHEET
at 22 August 2015

Company Number
07662835

	Notes	**22 August 2015 £m**	23 August 2014 £m
Assets			
Non-current assets			
Investments in subsidiary undertakings	13	**343.5**	342.3
Current assets			
Cash and cash equivalents		**2.1**	9.7
Trade and other receivables	14	**10.4**	-
Total current assets		**12.5**	9.7
Total assets		**356.0**	352.0
Net assets		**356.0**	352.0
Equity			
Called up share capital	23	**6.7**	6.6
Share premium		**5.3**	-
Merger reserve		**329.8**	329.8
Share based payment reserve		**0.3**	4.5
Retained earnings		**13.9**	11.1
Total equity		**356.0**	352.0

On behalf of the Board

Kirk Davis
16 December 2015

COMPANY STATEMENT OF CHANGES IN EQUITY
for the 52 weeks ended 22 August 2015

	Share capital	Share premium	Merger reserve	Share based payment reserve	Retained earnings	Total equity
	£m	£m	£m	£m	£m	£m
At 17 August 2013	6.6	-	329.8	2.9	16.4	355.7
Profit for the period	-	-	-	-	7.6	7.6
Dividends paid	-	-	-	-	(13.8)	(13.8)
Share based payment expense	-	-	-	1.6	0.9	2.5
At 23 August 2014	6.6	-	329.8	4.5	11.1	352.0
Profit for the period	-	-	-	-	55.9	55.9
Issued share capital	0.1	5.3	-	(5.4)	-	-
Dividends paid	-	-	-	-	(53.1)	(53.1)
Share based payment expense	-	-	-	1.2	-	1.2
At 22 August 2015	**6.7**	**5.3**	**329.8**	**0.3**	**13.9**	**356.0**

COMPANY INCOME STATEMENT
for the 52 weeks ended 22 August 2015

As permitted by section 408 of the Companies Act 2006, the Company's income statement has not been included in these financial statements. The Company's profit for the period was £55.9m (2014: £7.6m).

COMPANY CASH FLOW STATEMENT
for the 52 weeks ended 22 August 2015

	52 weeks to 22 August 2015 £m	53 weeks to 23 August 2014 £m
Cash flows from operating activities		
Operating result	**(17.4)**	-
Net cash generated from operating activities	**(17.4)**	-
Dividends received from subsidiary undertakings	**73.0**	8.0
Amounts paid to Greene King plc group undertakings	**(10.4)**	-
Interest received	**0.3**	0.1
Net cash generated from investing activities	**62.9**	8.1
Exceptional finance costs paid	**-**	(0.5)
Dividends paid	**(53.1)**	(13.8)
Net cash used in financing activities	**(53.1)**	(14.3)
Net decrease in cash and cash equivalents	**(7.6)**	(6.2)
Opening cash and cash equivalents	**9.7**	15.9
Closing cash and cash equivalents	**2.1**	9.7

NOTES TO THE FINANCIAL STATEMENTS
for the 52 weeks ended 22 August 2015

1. ACCOUNTING POLICIES

Company information

Spirit Pub Company Limited is a company incorporated and domiciled in England.

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The Company's financial statements have been prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006. The Company has taken advantage of the exemption provided under section 408 of the Companies Act 2006 not to publish its individual income statement and related notes.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in the financial statements.

The financial statements are prepared under the historical cost convention, as modified by the revaluation of certain items, principally land and buildings, derivative financial instruments and retirement benefits.

The financial statements have been prepared on a going concern basis. In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future. Further details regarding cash forecasting and the monitoring of financial covenants are contained in note 20. The Directors are of the opinion that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future, and feel it appropriate to adopt the going concern basis in preparing the Annual Report and Financial Statements.

Further information in relation to the Group's business activities, and its key risks and uncertainties is set out in the Strategic review on pages 2 to 4.

The financial position of the Group, its cash flows, liquidity position and borrowings are described in the Strategic review on pages 2 to 4 and in notes 19 and 20, together with information on the Group's strategies surrounding managing interest rate risk, liquidity risk, capital risk and credit risk.

The Group and Company financial statements are presented in sterling and all values are rounded to the nearest hundred thousand pounds, except where indicated.

New standards, interpretations and amendments to existing standards

The IASB and IFRIC have issued and endorsed the following standards and amendments which are effective for the Group and the Company in these financial statements:

- IFRS 10 Consolidated Financial Statements;
- IFRS 11 Joint Arrangements;
- IFRS 12 Disclosure of Interests in Other Entities;
- IAS 27 Separate Financial Statements (2011); and
- IAS 28 Investments in Associates and Joint Ventures (2011).

The standards above have had no material impact on the results or the financial position of the group or the company for the year ended 22 August 2015.

The IASB and IFRIC have issued the following standards, which are not yet effective or endorsed by the EU, and have not been early adopted by the Group and Company, which will be adopted in future accounting periods:

- IFRS 9 Financial Instruments; and
- IFRS 15 Revenue from contracts with customers.

The amendments to published standards that have an effective date of after these financial statements have not been adopted early by the Group.

Basis of consolidation

Consolidated financial statements comprise the financial statements of the Company and all of its subsidiary undertakings. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

All intra-group balances and transactions, including unrealised profits arising from intra-group transactions, are eliminated in full. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Goodwill

Goodwill on acquisition is initially measured at cost, being the excess of the cost of the business combination over the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Where assets are transferred between segments or disposed, the apportioned value of goodwill allocated to those assets is also transferred or charged to the income statement respectively.

Goodwill carried in the balance sheet is not amortised. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

If the cost of acquisition is less than the fair value of the net identifiable assets, liabilities and contingent liabilities of the subsidiary acquired, the gain is recognised immediately in the income statement.

Property, plant and equipment

Freehold and long leasehold land and buildings are initially stated at cost and subsequently at valuation.

Landlord's fixtures and fittings include removable items, which are generally regarded as within landlord ownership. These are depreciated in accordance with the policy detailed below.

Depreciation is provided to write-off the cost of property, plant and equipment, less estimated residual values, by equal annual instalments as follows:

Licensed properties, unlicensed properties and owner-occupied properties
50 years or the life of the lease if shorter

Fixtures and fittings (including landlord's fixtures and fittings)
5 to 15 years

IT and other assets (including IT equipment and motor vehicles)
5 to 15 years

Freehold land is not depreciated.

An annual assessment of residual values is performed and there is no depreciable amount if residual values are the same as, or more than, book value. Residual values are based on the estimated amount that would be currently obtainable from disposal of the asset net of disposal costs if the asset were already of the age and condition expected at the end of its useful life.

Impairment

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. A review for indicators of impairment is performed annually. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. Any impairment charge is recognised in the income statement in the period in which it occurs. When an impairment loss, other than an impairment loss on goodwill, subsequently reverses due to a change in the original estimate, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, up to the carrying amount that would have resulted, net of depreciation, had no impairment loss been recognised for the asset in prior periods.

Revaluation

Surpluses which arise from the revaluation are recorded directly within the revaluation reserve unless they are reversing a revaluation decrease which has been recognised in the income statement previously, in which case the surplus is recognised in the income statement, up to the amount previously recognised in the income statement. Where the revaluation exercise gives rise to a deficit, this is reflected directly in the revaluation reserve to the extent that a surplus exists against the same asset. Any residual amount is then recognised in the income statement.

Investments

Investments in subsidiaries are carried at cost less any impairment in value in the financial statements of the Company.

Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amount. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Receivables are written off against the doubtful debt provision when management deems the debt to be no longer recoverable.

Inventories

Inventories are valued at the lower of cost and net realisable value.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short term deposits.

Assets held for sale

Assets held for sale are measured at the lower of carrying amount and fair value less costs to sell and are not depreciated.

Assets held for sale and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale and completion should be expected within one year from the date of classification.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation to transfer economic resources as a result of past events.

Provisions are measured at management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. Provisions are discounted if the effect of the time value of money is material. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowings.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated taking account of any issue costs, and any discounts or premiums on settlement.

Gains and losses are recognised in the income statement when the liabilities are derecognised, as well as through the amortisation process.

Accounting for derivative financial instruments and hedging activities

The Group uses derivative financial instruments such as interest rate swaps to hedge its risk associated with interest rate fluctuations. Such derivative financial instruments are initially accounted for and subsequently remeasured to fair value.

Changes in fair value of any derivative financial instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

Equity instruments

Equity instruments issued by the Company are recorded at the fair value of the proceeds, net of direct issue costs.

Merger reserve

The merger reserve represents capital contributions received and amounts recognised on the acquisition of Spirit Pub Company (Holdco) Limited as part of the demerger from the Punch Taverns plc group in 2011.

Taxation

Income tax expense comprises both the income tax payable, based on taxable profits for the period, and deferred tax.

Deferred tax is recognised on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts except where the deferred tax liability arises from the initial recognition of goodwill or where the deferred tax asset or liability arises on an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the assets can be utilised.

Deferred tax is measured on an undiscounted basis at the rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates (and tax laws) enacted or substantively enacted at the balance sheet date. Movements in deferred tax are charged or credited in the income statement, except where they relate to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

For properties acquired as part of a business combination, movements in the deferred tax liability resulting from indexation allowance are taken to the income statement until the tax base cost plus indexation allowance reaches the fair value on acquisition, and directly to equity thereafter for historic revaluation surpluses.

Leases

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 capitalised at the inception of the lease 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 asset 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.

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

The fair values attached to operating head leasehold interests on acquisitions are deemed to represent lease premiums, and are carried as intangible assets. These operating leases are capitalised at cost and subsequently stated at valuation.

Other payments made on entering into or acquiring operating leases are included in prepayments and amortised over the lease term on a straight-line basis.

Pensions

During the year, the Group merged its two defined benefit schemes into one new defined benefit scheme (see note 25). The previous two schemes required contributions to be made to separately administered funds, and under the new scheme contributions are made to a further separately administered fund.

The asset or liability recognised in the balance sheet in respect of the Group's defined benefit arrangements is the difference between the fair value of scheme assets and the present value of scheme liabilities. Any defined benefit assets are limited to the total of any unrecognised past service costs and the present value of economic benefits in the form of any future refunds from the plan or reductions in future contributions to the plan. The cost of providing benefits under the plans is determined separately for each plan using the projected unit credit actuarial method. The current service cost is charged to operating profit. The net interest income / (charge) on the net retirement benefit assets / liabilities is shown within exceptional finance income / (costs). Remeasurement gains and losses are recognised in full as they occur in other comprehensive income.

The Group also contributes to money purchase pension plans for employees (see note 7), amounts payable are charged to the income statement as they fall due.

Share based payments

During the year a number of employees of the Company's subsidiaries (including Directors) received an element of remuneration in the form of share based payments, whereby employees rendered services in exchange for shares or rights over shares (see note 22). The Group has not granted any LTIP or share bonus plan awards in the year and has not granted any SIP awards since the acquisition of the Company by the Greene King group on 23 June 2015.

Share based payments are measured at fair value at the date of grant. The fair value of transactions involving the granting of shares is determined by the share price at the date of grant. The fair value of transactions involving the granting of share options is calculated by an external valuer based on a binomial model. In valuing share based payments, no account is taken of any performance conditions, other than market conditions.

The cost of share based payments is recognised, together with a corresponding increase in the share based payment reserve, on a straight-line basis over the vesting period based on the Company's estimate of how many of the awards will eventually vest. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of a share based payment award are modified, as a minimum, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of the modification.

Where a share based payment award is cancelled, it is treated as if it had vested on the date of cancellation and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification to the original award, as described in the previous paragraph.

Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and VAT. All operations take place solely in the United Kingdom.

Drink and food sales
Revenue in respect of drink and food sales is recognised at the point at which the goods are provided, net of any discounts or volume rebates allowed.

Rents receivable
Rents receivable are recognised on a straight-line basis over the lease term.

Other income
Other income includes the Group's share of net machine income which is recognised in the period to which it relates; revenue in respect of hotel rooms is recognised at the time of the guest visit.

Dividend distribution

Final dividends are recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when they are paid.

Exceptional items

In order to provide a trend measure of underlying performance, profit is presented excluding items which management consider will distort comparability, either due to their significant non-recurring nature or as a result of specific accounting treatments. Further detail on the nature of exceptional items is included in note 6.

Significant accounting estimates and judgements

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period.

On an ongoing basis, management evaluates its estimates and judgements including those relating to income taxes, deferred tax, financial instruments, property, plant and equipment, goodwill, intangible assets, valuations, provisions and post-employment benefits.

Management bases its estimates and judgements on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about the carrying value of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates under different assumptions and conditions.

The estimates and judgements that have a significant effect on the amounts recognised in the financial statements are detailed below.

Property valuations
The Group 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.

Impairment of property, plant and equipment and operating leases
Property, plant and equipment and operating leases are reviewed for impairment if circumstances suggest that the carrying amount may not be recoverable. Recoverable amounts are determined based on value-in-use calculations and estimated sale proceeds. These calculations require assumptions to be made regarding future cash flows and the choice of a suitable discount rate in order to calculate the present value of those cash flows. Actual outcomes may vary from these estimates.

Goodwill impairment
The Group assesses whether goodwill is impaired on at least an annual basis. The recoverable amounts of the groups of cash-generating units (CGUs) to which goodwill has been allocated is determined based on value-in-use calculations. These calculations require assumptions to be made regarding future cash flows and the choice of a suitable discount rate in order to calculate the value-in-use of those cash flows. These assumptions are disclosed in note 11. Actual outcomes could vary from these estimates.

Retirement benefit asset / liability
The present value of defined benefit pension scheme liabilities are determined on an actuarial basis and depend on a number of actuarial assumptions, which are disclosed in note 25. Any change in these assumptions could impact the carrying amounts of retirement benefit assets/liabilities.

Onerous lease 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 estimated timings and amounts of cash flows are determined using the experience of internal and external property experts; however, any changes to the estimated method of exiting from the property could lead to changes to the level of the provision recorded.

Deferred tax
Deferred tax assets and liabilities require management judgement in determining the amounts to be recognised. When assessing the extent to which deferred tax assets should be recognised, consideration is given to the timing and level of future taxable income following reviews of budgets and forecasts.

2. SEGMENTAL ANALYSIS

The Group has two reportable segments, a Managed estate and a Leased estate, which are the Group's strategic business units. Each strategic business unit consists of a number of cash-generating units (CGUs), which are individual pubs. These CGUs generate their own revenues, which are consolidated to give the Group revenue and as a result, Group revenue is not reliant on one significant customer.

The Group's risks and returns are affected predominantly by the differences in the products and services provided by the strategic business units.

The Chief Operating Decision Maker is represented by the Directors of the Company. Performance is measured based on segmental EBITDA, as included in the internal management reports that are reviewed by the Directors. The Spirit Pub Company Limited Directors consider adjusted segmental EBITDA when assessing the performance of the business and making decisions about the allocation of resources.

The Group operates solely in the United Kingdom, and therefore has only one geographical segment.

	2015		
	Managed £m	**Leased £m**	**Total £m**
Drink revenue	**383.6**	**56.7**	**440.3**
Food revenue	**308.7**	**-**	**308.7**
Rental income	**-**	**18.5**	**18.5**
Other revenue	**42.7**	**4.0**	**46.7**
Revenue	**735.0**	**79.2**	**814.2**
Operating costs[1]	**(610.2)**	**(46.0)**	**(656.2)**
EBITDA[1]	**124.8**	**33.2**	**158.0**
Depreciation and amortisation	**(36.1)**	**(2.5)**	**(38.6)**
Operating profit before exceptional items	**88.7**	**30.7**	**119.4**
Operating exceptional items			**(4.5)**
Net finance costs[2]			**(92.5)**
UK income tax charge			**(9.3)**
Profit attributable to owners of the parent company			**13.1**

	2014		
	Managed £m	Leased £m	Total £m
Drink revenue	378.7	59.8	438.5
Food revenue	294.8	-	294.8
Rental income	-	18.8	18.8
Other revenue	44.5	4.3	48.8
Revenue	718.0	82.9	800.9
Operating costs[1]	(591.9)	(49.6)	(641.5)
EBITDA[1]	126.1	33.3	159.4
Depreciation and amortisation	(36.1)	(2.1)	(38.2)
Operating profit before exceptional items	90.0	31.2	121.2
Operating exceptional items			73.3
Net finance costs[2]			(84.3)
UK income tax charge			(10.8)
Profit attributable to owners of the parent company			99.4

[1] Before exceptional items.
[2] Included in net finance costs is £33.0m (2014: £21.1m) in relation to the movement in fair value of interest rate swaps. In the prior year this was presented as a separate line item, but has been re-presented within net finance costs to align the presentation with that used by the ultimate parent undertaking, Greene King plc.

	2015			
	Managed £m	**Leased £m**	**Unallocated £m**	**Total £m**
Assets and liabilities				
Segment assets	**1,609.4**	**361.6**	**-**	**1,971.0**
Unallocated assets	**-**	**-**	**16.5**	**16.5**
Total assets	**1,609.4**	**361.6**	**16.5**	**1,987.5**
Segment liabilities	**(187.2)**	**(15.7)**	**-**	**(202.9)**
Unallocated liabilities	**-**	**-**	**(1,060.0)**	**(1,060.0)**
Total liabilities	**(187.2)**	**(15.7)**	**(1,060.0)**	**(1,262.9)**
Net assets / (liabilities)	**1,422.2**	**345.9**	**(1,043.5)**	**724.6**

	2014			
	Managed £m	Leased £m	Unallocated £m	Total £m
Assets and liabilities				
Segment assets	1,537.4	356.0	-	1,893.4
Unallocated assets	-	-	64.4	64.4
Total assets	1,537.4	356.0	64.4	1,957.8
Segment liabilities	(224.2)	(15.5)	-	(239.7)
Unallocated liabilities	-	-	(991.9)	(991.9)
Total liabilities	(224.2)	(15.5)	(991.9)	(1,231.6)
Net assets / (liabilities)	1,313.2	340.5	(927.5)	726.2

Capital expenditure		**2015**			2014	
	Managed £m	**Leased £m**	**Total £m**	Managed £m	Leased £m	Total £m
Investment spend	**62.8**	**8.8**	**71.6**	39.5	8.6	48.1

Between 24 August 2014 and 22 August 2015, three pubs with a fair value of £1.4m transferred from the Leased to the Managed estate and two pubs with a fair value of £0.9m transferred from the Managed to the Leased estate. Between 17 August 2013 and 23 August 2014, six pubs with a fair value of £2.9m transferred from the Leased to the Managed estate and two pubs with a fair value of £0.5m transferred from the Managed to the Leased estate. As a result of these intra-group transfers, £0.1m (2014: £nil) of goodwill was transferred from the Managed estate to the Leased estate and £0.2m (2014: £0.3m) of goodwill was transferred from the Leased estate to the Managed estate.

With the exception of the transfer of pubs, there are immaterial sales between the business segments. Segment assets include property, plant and equipment, operating leases, goodwill, inventories, receivables and assets held for sale, and exclude centrally held cash of £2.7m (23 August 2014: £45.8m), deferred tax assets of £8.9m (23 August 2014: £18.1m) and other assets of £4.9m (23 August 2014: £0.5m), while segment liabilities comprise operating liabilities and exclude corporate borrowings of £802.8m (23 August 2014: £816.7m), related derivatives of £182.9m (23 August 2014: £154.6m), retirement benefit liabilities of £16.8m (23 August 2014: £3.8m) and other liabilities of £57.5m (23 August 2014: £16.8m). Capital expenditure comprises additions to property, plant and equipment and operating leases.

3. ANALYSIS OF EXPENSES

The following items have been included in arriving at operating profit:

	2015 £m	2014 £m
Drink and food costs	**(237.6)**	(244.2)
Managed pub running costs	**(309.0)**	(297.4)
Leasehold rentals	**(60.6)**	(56.0)
Depreciation and amortisation	**(38.6)**	(38.2)
Gains related to the revaluation of the property portfolio	**14.5**	71.6
Profit on sale of non-current assets	**7.6**	18.7
Other costs[1]	**(75.6)**	(60.9)
Total costs deducted from revenue to determine operating profit	**(699.3)**	(606.4)

[1] Included within other costs are £26.6m of costs (2014: £17.0m) relating to exceptional items.

Auditor's remuneration is as follows:

	2015 £m	2014 £m
Statutory audit services		
Audit of Group financial statements	**0.1**	0.2
Audit of subsidiary companies pursuant to legislation	**-**	-
Audit related assurance services	**-**	0.1

In addition to the fees disclosed above, the Group's defined benefit pension schemes have paid £0.1m to the Group's auditor in the period to 22 August 2015 (2014: £0.1m) for non-audit services.

The accounts of the parent company do not include details of remuneration receivable by the auditor and its associates for non-audit services, as the Group accounts are required to include this information as required by Regulation 5(1)(b) of the Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008 on a consolidated basis.

4. FINANCE INCOME

	2015 £m	2014 £m
Bank interest receivable	**0.8**	0.5
Exceptional finance income (note 6)	**-**	2.0
Total finance income	**0.8**	2.5

5. FINANCE COSTS

	2015 £m	2014 £m
Interest payable on secured loan notes	**54.7**	55.7
Other interest payable	**0.7**	0.7
Effect of unwinding discounted provisions (note 21)	**4.0**	5.0
Exceptional finance costs (note 6)[1]	**33.9**	25.4
Total finance costs	**93.3**	86.8

[1] Included in exceptional finance costs is £33.0m (2014: £21.1m) in relation to the movement in fair value of interest rate swaps. This has been re-presented within finance costs to align the presentation with that used by the ultimate parent undertaking, Greene King plc.

6. EXCEPTIONAL ITEMS

In order to provide a trend measure of underlying performance, profit is presented excluding items which management consider will distort comparability, either due to their significant non-recurring nature or as a result of specific accounting treatments. Included in the consolidated income statement are the following exceptional items:

	2015 £m	2014 £m
Operating items		
Transaction and integration costs[1]	**(19.4)**	-
Retirement benefit scheme expenses[2]	**(2.3)**	(1.6)
Movement on property liabilities[3]	**-**	3.5
VAT repayable[4]	**(1.5)**	(15.9)
Profit on sale of non-current assets	**7.6**	18.7
Gains related to the revaluation of the property portfolio	**14.5**	71.6
Non-cash impact of annual uplifts in rent and rent-free periods	**(3.4)**	(3.0)
	(4.5)	73.3
Finance income		
Loan note and interest rate swap redemptions[5]	**-**	2.0
	-	2.0
Finance costs		
Interest on VAT repayable	**(0.9)**	(4.3)
Movement in fair value of interest rate swaps[6]	**(33.0)**	(21.1)
	(33.9)	(25.4)
Total exceptional items before tax	**(38.4)**	49.9
Tax		
Tax impact of exceptional items	**8.2**	1.5
Adjustments to tax in respect of prior periods	**(2.5)**	(0.1)
Tax credit in respect of the change in tax rate[7]	**0.2**	1.0
	5.9	2.4
Total exceptional items after tax	**(32.5)**	52.3

[1] Represents legal and professional fees incurred in the period in relation to the recommended acquisition of Spirit Pub Company Limited (formerly Spirit Pub Company plc) by Greene King plc and other integration related costs.
[2] Represents the administration expenses of the defined benefit pension schemes which are excluded from underlying profit. In the current year this includes £1.0m of curtailment / settlement costs following the merger of the two defined benefit pension schemes, see note 25.
[3] Represents release of property lease provision on disposal of properties.
[4] In the current year, represents VAT due on employee costs recharges made in prior years. In the prior year, represents the amount provided in relation to the amount repayable by the Group in respect of its gaming machine VAT claim, see note 21.
[5] Represents the write off of debt fair value adjustments and break costs on monoline insurance on the cancellation of securitised debt, and the write off of swap fair value adjustments and associated break costs on the cancellation of swaps.
[6] Represents the movement in the fair value of interest rate swaps that are classified as fair value through profit and loss. This has been re-presented within finance costs to align the presentation with that used by the ultimate parent undertaking, Greene King plc.
[7] See note 15 for details of the changes in tax rate.

7. EMPLOYEES AND DIRECTORS

Staff costs

	2015 £m	2014 £m
Wages and salaries	**199.9**	190.9
Social security costs	**11.2**	10.6
Share based payments	**1.7**	3.1
Pension costs	**2.3**	2.3
	215.1	206.9

The Group operates defined contribution schemes, the costs of which are included above.

The average number of employees during the period was as follows:

	2015	2014
Management and administration[1]	**438**	423
Retail staff[1]	**16,929**	16,038
	17,367	16,461

[1] Employee numbers relate to actual employees rather than full-time employee equivalents.

Directors' emoluments

	2015 £m	2014 £m
Emoluments[1]	**3.4**	1.9
Amounts received under share based payment schemes	**3.8**	2.0
Payments in lieu of contributions to pension schemes	**0.2**	0.2
	7.4	4.1

[1] Includes compensation for loss of office amounting to £1.1m in the current period.

The emoluments of the highest paid director were as follows:

	2015 £m	2014 £m
Emoluments[1]	**1.9**	1.0
Amounts received under share based payment schemes	**2.7**	1.5
Payments in lieu of contributions to pension schemes	**0.1**	0.1
	4.7	2.6

[1] Includes compensation for loss of office amounting to £0.6m in the current period.

During the year, two directors (including the highest paid director) exercised share options under the Spirit Long Term Incentive Plan. Two directors (including the highest paid director) had shares released to them under the Spirit Share Bonus Plan. The highest paid director, upon leaving Spirit, also had shares released to him under the Spirit Share Incentive Plan.

The current directors did not hold any options or shares in Spirit's share incentive schemes however they do hold options and shares in Greene King plc.

8. TAX

(a) Tax charged / (credited) in the income statement

	2015			2014		
	Pre-exceptional items £m	**Exceptional items £m**	**Total £m**	Pre-exceptional items £m	Exceptional items £m	Total £m
Current tax						
UK corporation tax – current period	**1.4**	**(1.4)**	**-**	5.9	(5.9)	-
UK corporation tax – adjustments in respect of prior periods	**-**	**0.7**	**0.7**	-	-	-
	1.4	**(0.7)**	**0.7**	5.9	(5.9)	-
Deferred tax (note 15)						
Origination and reversal of temporary differences – current period	**13.8**	**(6.8)**	**7.0**	7.3	4.4	11.7
Origination and reversal of temporary differences – change in standard rate of tax	**-**	**(0.2)**	**(0.2)**	-	(1.0)	(1.0)
Origination and reversal of temporary differences – adjustments in respect of prior periods	**-**	**1.8**	**1.8**	-	0.1	0.1
	13.8	**(5.2)**	**8.6**	7.3	3.5	10.8
Total tax charge / (credit) in the income statement	**15.2**	**(5.9)**	**9.3**	13.2	(2.4)	10.8

(b) Reconciliation of the total tax charge

The effective rate of tax is different to the full rate of corporation tax. The differences are explained below:

	2015 £m	2014 £m
Profit on ordinary activities before tax	**22.4**	110.2
Tax at current UK tax rate of 20.6% (2014: 22.2%)[1]	**4.7**	24.5
Effects of:		
Net effect of expenses not deductible for tax purposes and non-taxable income (before exceptional items)	**(0.9)**	(0.2)
Net effect of expenses not deductible for tax purposes and non-taxable income (exceptional items)	**3.8**	-
Group relief surrendered for £nil consideration	**3.6**	-
Adjustments to tax in respect of prior periods (exceptional items)	**2.5**	0.1
Impact of change in tax rate	**(0.2)**	(1.0)
Net effect of permanent differences arising in respect of disposals and revaluations of property portfolio	**(4.2)**	(12.6)
Total tax charge reported in the income statement	**9.3**	10.8

[1] See note 15 for detail of the changes in tax rate.

Details of the exceptional tax credits and debits are included in note 6.

(c) Tax charged in other comprehensive income

In addition to the amount charged to the income statement, tax movements recognised directly in equity through the consolidated statement of comprehensive income were as follows:

	2015 £m	2014 £m
Deferred tax		
Deferred tax charge on unrealised gain on revaluation of the property portfolio	**0.5**	1.2
Deferred tax credit on re-measurements of defined benefit pension schemes	**(3.3)**	(1.8)
Deferred tax charge / (credit) on share based payment expense	**0.8**	(0.9)
Deferred tax credit recognised directly in equity	**(2.0)**	(1.5)

9. DIVIDENDS

	2015 £m	2014 £m
Declared and paid in the period		
Interim dividend for 2015: 6.50 pence (2014: 0.72 pence) per share	**43.1**	4.8
Final dividend for 2014: 1.50 pence (2013: 1.37 pence) per share	**10.0**	9.0
	53.1	13.8
Proposed final dividend		
Final dividend for 2015: nil pence (2014: 1.50 pence) per share	**-**	9.0
Total proposed dividend for 2015: 6.50 pence (2014: 2.22 pence) per share	**43.1**	14.7

10. PROPERTY, PLANT & EQUIPMENT

	Land and buildings £m	Fixtures and fittings £m	IT and other assets £m	Total £m
Cost or valuation				
At 17 August 2013	1,191.3	97.8	31.5	1,320.6
Additions	18.7	24.6	4.8	48.1
Revaluation[1]	96.9	2.3	-	99.2
Net transfers from assets held for sale	(9.8)	(0.8)	-	(10.6)
Disposals	(12.5)	(0.4)	-	(12.9)
At 23 August 2014	1,284.6	123.5	36.3	1,444.4
Additions	28.7	42.5	0.4	71.6
Revaluation[1]	57.5	(21.2)	-	36.3
Net transfers to assets held for sale	(9.9)	(0.7)	-	(10.6)
Disposals	(2.5)	(0.2)	-	(2.7)
At 22 August 2015	**1,358.4**	**143.9**	**36.7**	**1,539.0**
Accumulated depreciation				
At 17 August 2013	-	-	6.6	6.6
Charge for the period	13.4	18.5	2.6	34.5
Revaluation[1]	(13.4)	(18.5)	-	(31.9)
At 23 August 2014	-	-	9.2	9.2
Charge for the period	4.0	24.7	4.2	32.9
Net transfers to assets held for sale	-	(0.1)	-	(0.1)
Revaluation[1]	(4.0)	(24.6)	-	(28.6)
At 22 August 2015	**-**	**-**	**13.4**	**13.4**
Net book value at 22 August 2015	**1,358.4**	**143.9**	**23.3**	**1,525.6**
Net book value at 23 August 2014	1,284.6	123.5	27.1	1,435.2

[1] The Group's revaluation gain of £64.9m (2014: gain of £131.1m) comprises £52.0m (2014: £61.4m) shown in the consolidated statement of comprehensive income and £12.9m (2014: £69.7m) in the consolidated income statement.

The cost of work in progress within property, plant and equipment at 22 August 2015 was £16.5m (23 August 2014: £7.9m).

(a) Revaluation of property, plant and equipment

At 22 August 2015, the Group's property portfolio has been revalued to open market value. The Directors have performed this valuation with reference to a sample valuation of 291 properties (2014: 299 properties) which were valued, at that date, by Colliers International, independent chartered surveyors. This sample was reviewed by management in conjunction with Colliers to ensure that it provided sufficient coverage both geographically, by tenure and for the Managed estate, by brand. 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. Changes in these variables and assumptions could materially impact the valuations.

These valuations and the assumptions made are discussed and reviewed with the Directors and the Group's auditor.

These techniques are consistent with the principles in IFRS 13 Fair Value Measurement and use significant unobservable inputs such that the fair value measurement of each property within the portfolio has been classified as Level 3 in the fair value hierarchy (see note 20).

A summary of the key inputs used in the valuation of the property portfolio are as follows:

	2015			2014		
	Managed	Leased	**Total**	Managed	Leased	Total
Closing number of pubs	790	415	**1,205**	794	433	1,227
Average EBITDA multiple	7.8x	6.7x	**-**	7.5x	6.6x	-
	£m	£m	**£m**	£m	£m	£m
Property valuation	1,307	260	**1,567**	1,218	258	1,476
Non-pub specific property related assets	24	4	**28**	27	10	37
Valuation	1,331	264	**1,595**	1,245	268	1,513

A sensitivity analysis has been conducted on the valuation of the property portfolio to give an indication of the impact of movements in the most sensitive assumption, being projected income. The analysis considers the impact of a change in this assumption with the other variables held constant. In practice changes in one assumption may be accompanied by changes in another. This sensitivity analysis should not be taken as a projection of likely future valuation movements. Increasing the projected income used in the revaluation by 2.5% would increase the valuation by £39m (2014: £40m). Decreasing the projected income used in the revaluation by 2.5% would decrease the valuation by £39m (2014: £40m).

If the properties had not been revalued, the historical cost net book value of property, plant and equipment would be £1,459.7m (23 August 2014: £1,423.5m).

(b) Assets held under finance leases

The Group leases various licensed properties, offices and other commercial properties and other assets under finance leases. The leases have various terms, escalation clauses and renewal rights.

Included in property, plant and equipment above are properties held under finance leases with a net book value of £23.2m (23 August 2014: £15.3m).

(c) Assets held as security

Included within the net book value of property, plant and equipment above are licensed properties with a net book value of £1,467.0m (23 August 2014: £1,391.4m) over which the Group's borrowings are secured by way of fixed and floating charges.

11. GOODWILL AND OPERATING LEASE INTANGIBLE ASSETS

	Operating leases £m	Goodwill £m
Cost or valuation		
At 17 August 2013	61.3	223.8
Net transfers to assets held for sale	(0.1)	-
Disposals	-	(1.6)
Revaluation[1]	5.2	-
At 23 August 2014	66.4	222.2
Disposals	-	(0.9)
Revaluation[1]	(5.0)	-
At 22 August 2015	**61.4**	**221.3**
Amortisation and impairment		
At 17 August 2013	-	10.1
Charge for the period	3.7	-
Revaluation[1]	(3.7)	-
At 23 August 2014	-	10.1
Charge for the period	5.7	-
Revaluation[1]	(5.7)	-
At 22 August 2015	**-**	**10.1**
Net book value at 22 August 2015	**61.4**	**211.2**
Net book value at 23 August 2014	66.4	212.1

[1] The Group's revaluation gain of £0.7m (2014: gain of £8.9m) comprises a loss of £0.9m (2014: gain of £6.0m) shown in the consolidated statement of comprehensive income and a gain of £1.6m (2014: £2.9m) in the consolidated income statement.

Goodwill has been reduced in the period by £0.9m (2014: £1.6m), representing the apportioned value of goodwill allocated to those pubs disposed of during the period.

At 22 August 2015, the goodwill assigned to the Managed estate is £143.8m (23 August 2014: £144.0m) and the goodwill assigned to the Leased estate is £67.4m (23 August 2014: £68.1m).

(a) Revaluation of operating leases

As detailed in note 10, the Group has a policy of revaluing its property portfolio, and as a result a revaluation gain has been recognised in operating leases at 22 August 2015.

The valuation techniques are described in note 10. These are consistent with the principles in IFRS 13 Fair Value Measurement and use significant unobservable inputs such that the fair value measurement of each operating lease intangible asset has been classified as Level 3 in the fair value hierarchy (see note 20).

If the properties had not been revalued, the historical cost net book value of operating leases would be £48.0m (23 August 2014: £49.2m). There is no material difference between the carrying value of operating leases and their historical cost net book value adjusted for the reversal of historic impairments.

(b) Assets held as security

Included within operating leases are properties with a net book value of £58.0m (23 August 2014: £62.7m) over which the Group's borrowings are secured by way of fixed and floating charges.

12. IMPAIRMENT LOSSES

Property, plant and equipment and operating leases

When any indicators of impairment are identified, property, plant and equipment and operating leases are reviewed for impairment based on each cash-generating unit (CGU). The cash-generating units are individual pubs. The carrying values of these individual pubs are compared to the recoverable amount of the CGUs, which is the higher of value-in-use and fair value less costs to sell.

At 22 August 2015 and 23 August 2014, a review of indicators of impairment was performed. There were no indicators of impairment and therefore no impairment was identified.

Goodwill

Goodwill is allocated to groups of CGUs based on the benefits to the Group that arise from each business combination. The two groups of CGUs are identified by their pub operating format (Managed or Leased) and this is the lowest level at which goodwill is monitored by the Group.

During the period to 22 August 2015, a goodwill impairment review was performed by means of comparing the recoverable amount of the CGUs to the carrying value of the unit including goodwill. The recoverable amount of the CGUs was determined based on value-in-use calculations. These value-in-use calculations are based on earnings before interest and tax and extrapolated for a period of 50 years using a multiple of ten as the terminal value. The pre-tax risk-adjusted discount rate applied to cash flow projections range between 8% and 9% (2014: range between 8% and 9%). These cash flows are based on forecast cash flow information for the next three year period based on our internal forecasts and an average growth rate of 2.25% (2014: 2.25%) applied subsequently for a further period of 46 years based on our long term forecasts. Based on this review no impairment of goodwill has been identified (2014: £nil). Management considers the impact of changes in assumptions to the value-in-use calculations, in particular the sensitivity of the calculation to changes in growth rates and discount rates and have stress tested these calculations across a range of scenarios. Neither a reduction in the growth rate to 0.25% over the 50 year period nor an increase in the discount rate to 10.0% would lead to an impairment of goodwill.

During the 52 week period to 22 August 2015, £0.6m of goodwill was disposed of as a result of disposals from the Leased estate (2014: £0.6m) and £0.3m of goodwill was disposed of as a result of disposals from the Managed estate (2014: £1.0m).

13. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

Company	2015	2014
	£m	£m
Opening balance	**342.3**	339.8
Additions	**1.2**	2.5
Closing balance	**343.5**	342.3

Additions represent capital contributions relating to share based payment expenses.

Details of the principal subsidiary undertakings as at 22 August 2015 are as follows (a full list of subsidiary undertakings can be found in note 32):

Name of company	Nature of business
Subsidiaries	
Spirit Pub Company (Managed) Limited	Pub operating company
Spirit Pub Company (Leased) Limited	Pub operating company
Spirit Pub Company (Trent) Limited	Pub operating company
Spirit Pub Company (Derwent) Limited	Pub operating company
Spirit Pub Company (Holdco) Limited	Holding company
Spirit Pub Company (SGE) Limited	Intermediate holding company
Spirit Group Holdings Limited	Intermediate holding company
Spirit Pub Company (Supply) Limited	Group supply company
Spirit Pub Company (Services) Limited	Management and administration company
Spirit Pub Company (Investments) Limited	Financing company

The Company owns 100% of the ordinary share capital of Spirit Pub Company (Holdco) Limited and indirectly controls 100% of the voting rights of the other subsidiaries listed above.

All companies are incorporated in England and Wales.

In addition to those investments listed above, the Group also maintains day-to-day control over Spirit Issuer Parent Limited and its wholly owned subsidiary, Spirit Issuer plc, a special purpose entity that provides financing to the Group. Although no company in the Group owns any shares either directly or indirectly in Spirit Issuer Parent Limited or Spirit Issuer plc, the financial statements are also consolidated into the Group financial statements in accordance with IFRS 10.

14. TRADE AND OTHER RECEIVABLES

	Company		**Group**	
	2015	2014	**2015**	2014
	£m	£m	**£m**	£m
Amounts falling due within one year				
Trade receivables	-		**5.6**	4.3
Prepayments	-	-	**12.9**	13.0
Other receivables	-	-	**10.7**	8.7
Amounts owed by fellow Greene King group undertakings	**10.4**	-	**20.5**	-
	10.4	-	**49.7**	26.0

15. DEFERRED TAX

The movement on the deferred tax account is as follows:

Group	2015 £m	2014 £m
Opening balance	**38.5**	47.8
Charged to income statement	**(8.6)**	(10.8)
Credited to equity	**2.0**	1.5
Closing balance	**31.9**	38.5

The Company has no deferred tax balances.

The movements in deferred tax assets and liabilities during the period are shown below:

Deferred tax assets

	Tax losses £m	Retirement benefit liabilities £m	Financial instruments £m	Accelerated capital allowances £m	Total £m
At 17 August 2013	26.1	0.1	22.0	9.9	58.1
(Charged) / credited to income statement	(6.2)	(1.1)	1.4	(4.4)	(10.3)
Credited to equity	-	1.8	-	-	1.8
At 23 August 2014	19.9	0.8	23.4	5.5	49.6
(Charged) / credited to income statement	(8.3)	(0.7)	6.0	(4.8)	(7.8)
Credited / (charged) to equity	-	3.3	-	(0.7)	2.6
At 22 August 2015	**11.6**	**3.4**	**29.4**	**-**	**44.4**

Deferred tax liabilities

	Other £m	Total £m
At 17 August 2013	(10.3)	(10.3)
Charged to income statement	(0.5)	(0.5)
Charged to equity	(0.3)	(0.3)
At 23 August 2014	(11.1)	(11.1)
Charged to income statement	(0.8)	(0.8)
Charged to equity	(0.6)	(0.6)
At 22 August 2015	**(12.5)**	**(12.5)**

At 22 August 2015, the Group has unused tax losses of £65.7m (23 August 2014: £118.5m) and unused capital losses of £666.8m (23 August 2014: £750.9m) available for offset against future profits. A deferred tax asset has been recognised in respect of £58.1m (23 August 2014: £99.6m) of such losses, which are expected to be utilised against future profit streams within the Group. No deferred tax asset has been recognised in respect of the remaining £7.6m (23 August 2014: £18.9m) of losses due to the unpredictability of future profit streams. Current legislation deems that these losses may be carried forward for an unlimited number of years.

Factors affecting future current tax charges

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and to 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the Group's future current tax charge accordingly. The deferred tax asset at 22 August 2015 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

16. INVENTORIES

	2015 **£m**	2014 £m
Goods held for resale	**9.4**	9.2

The Group consumed £204.3m of inventories during the period (2014: £208.5m) and charged £nil to the income statement for the write-down of inventories during the period (2014: £nil).

17. ASSETS HELD FOR SALE

	2015 **£m**	2014 £m
Assets held for sale	**8.5**	11.3

At 22 August 2015, assets held for sale represents £5.8m (23 August 2014: £6.0m) of pubs from the Managed estate and £2.7m (23 August 2014: £5.3m) of pubs from the Leased estate. These pubs are being actively marketed for sale, individually, with varying expected completion dates within one year.

When a pub is being actively marketed for disposal, it is written down to fair value less costs to sell (being the expected net disposal proceeds), when this is lower than carrying value, and transferred to assets held for sale. This has resulted in an impairment charge in the period of £5.3m (2014: £0.9m). This is a non-recurring fair value which has been measured using observable inputs, being the prices for recent sales of similar businesses, and is therefore within level 2 of the fair value hierarchy.

18. TRADE AND OTHER PAYABLES

	2015			2014		
	Amounts falling due			Amounts falling due		
	within one year £m	**after more than one year £m**	**Total £m**	within one year £m	after more than one year £m	Total £m
Trade payables	**43.3**	**-**	**43.3**	43.9	-	43.9
Other tax and social security payable	**23.7**	**-**	**23.7**	24.9	-	24.9
Other payables	**9.7**	**18.9**	**28.6**	9.2	15.5	24.7
Accruals and deferred income	**80.6**	**-**	**80.6**	73.9	-	73.9
	157.3	**18.9**	**176.2**	151.9	15.5	167.4

The contractual maturity of trade and other payables is within one year, with the exception of an amount of £18.9m (23 August 2014: £15.5m) in respect of annual uplifts in rent and rent-free periods within other payables which falls due after more than one year.

19. BORROWINGS

	2015			2014		
	Amounts falling due			Amounts falling due		
	within one year £m	**after more than one year £m**	**Total £m**	within one year £m	after more than one year £m	Total £m
Secured loan notes issued by Spirit Issuer plc	**11.9**	**791.2**	**803.1**	13.5	803.2	816.7
Obligations under finance leases	**1.2**	**9.9**	**11.1**	1.2	10.4	11.6
	13.1	**801.1**	**814.2**	14.7	813.6	828.3

(a) Secured loan notes issued by Spirit Issuer plc

Interest is paid quarterly in arrears on all secured loan notes. The details for the secured loan notes, including the date of the final scheduled instalment for each class of note, as indicated in its description, are as set out below. The Group has taken out various interest rate swaps to reduce the interest rate risk associated with floating rate notes, see note 20.

	2015			2014		
	Amounts falling due			Amounts falling due		
	within one year £m	**after more than one year £m**	**Total £m**	within one year £m	after more than one year £m	Total £m
Class A1 secured floating rate notes repayable by September 2026 at LIBOR[1] +0.55%	**-**	**29.5**	**29.5**	6.9	29.6	36.5
Class A2 secured floating rate notes repayable by June 2029 at LIBOR[1] +2.7%	**-**	**186.6**	**186.6**	-	186.6	186.6
Class A3 secured fixed / floating rate notes repayable by September 2019 at 5.86% to December 2014 and LIBOR[1] +0.55% thereafter	**10.5**	**35.9**	**46.4**	5.2	46.3	51.5
Class A4 secured fixed / floating rate notes repayable by March 2025 at 6.582% to December 2018 and LIBOR[1] +2.775% thereafter	**-**	**207.7**	**207.7**	-	207.7	207.7
Class A5 secured fixed / floating rate notes repayable by December 2032 at 5.472% to December 2028 and LIBOR[1] +0.75% thereafter	**-**	**158.5**	**158.5**	-	158.5	158.5
Class A6 secured floating rate notes repayable by December 2036 at LIBOR[1] +1.8% to September 2018 and LIBOR[1] +3.3% thereafter	**-**	**101.3**	**101.3**	-	101.3	101.3
Class A7 secured fixed / floating rate notes repayable by December 2036 at 5.86% to December 2014, LIBOR[1] +3.95% to September 2018 and LIBOR[1] +5.45% thereafter	**-**	**58.4**	**58.4**	-	58.4	58.4
Nominal value of secured loan notes	**10.5**	**777.9**	**788.4**	12.1	788.4	800.5
Add: premium arising from fair value adjustment	**3.0**	**16.8**	**19.8**	3.0	19.8	22.8
Less: capitalised issue costs	**(1.6)**	**(3.5)**	**(5.1)**	(1.6)	(5.0)	(6.6)
Secured loan notes issued by Spirit Issuer plc	**11.9**	**791.2**	**803.1**	13.5	803.2	816.7

[1] For three-month deposits.

The secured loan notes have been secured by way of fixed and floating charges over various assets of the Group.

Maturity profile of secured loan notes

The table below summarises the maturity profile of the Group's secured loan notes at 22 August 2015 and 23 August 2014 based on contractual, undiscounted cash flows including interest.

2015	**Within one year**	**One to two years**	**Two to five years**	**More than five years**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
Interest-bearing loans and borrowings					
- capital	**10.5**	**10.9**	**54.6**	**712.4**	**788.4**
- interest	**4.6**	**4.5**	**13.3**	**33.8**	**56.2**
- interest rate swaps	**57.7**	**57.0**	**168.6**	**427.1**	**710.4**
	72.8	**72.4**	**236.5**	**1,173.3**	**1,555.0**

2014	Within one year	One to two years	Two to five years	More than five years	Total
	£m	£m	£m	£m	£m
Interest-bearing loans and borrowings					
- capital	12.1	10.5	34.0	743.9	800.5
- interest	4.4	4.4	12.9	41.2	62.9
- interest rate swaps	57.7	56.8	168.2	537.9	820.6
	74.2	71.7	215.1	1,323.0	1,684.0

(b) Obligations under finance leases

The minimum lease payments under finance leases fall due as follows:

	2015		2014	
	Minimum lease payments	**Present value of future obligations**	Minimum lease payments	Present value of future obligations
	£m	**£m**	£m	£m
Within one year	**1.2**	**1.2**	1.2	1.2
Within one to five years	**3.6**	**2.9**	4.1	3.4
Over five years	**31.5**	**7.0**	32.2	7.0
	36.3	**11.1**	37.5	11.6

(c) Interest rate analysis

The weighted average effective interest rates of interest-bearing borrowings, including the effect of interest rate swaps, at the balance sheet date are as follows:

	2015	2014
	%	%
Secured loan notes	**7.9**	7.8
Finance leases	**6.6**	6.5
Total borrowings	**7.9**	7.7

20. FINANCIAL INSTRUMENTS

(a) Derivative financial instruments

The carrying values of derivative financial instruments in the balance sheet are as follows:

	2015		2014	
	Current liabilities £m	**Non-current liabilities £m**	Current liabilities £m	Non-current liabilities £m
Interest rate swaps	**22.9**	**160.0**	20.8	133.8

The Group has taken out various interest rate swaps to reduce the interest rate risk associated with floating rate notes as follows:

Spirit Issuer plc
Interest rate swap agreements have been entered into which swap the LIBOR interest rate to fixed rates of 6.681% on the Class A1, Class A2 and Class A6 notes, 4.529% on the Class A3 and Class A7 notes from 29 December 2014 and, after their respective step-up dates, 4.555% on the Class A4 and Class A5 notes. Prior to September 2012, the interest rate swap agreements swapped the LIBOR interest rate to 6.581% on the Class A1 and Class A2 notes.

The capital amount of these swaps reduces over time to reflect the reduction in the capital amounts of the floating rate notes (see note 19 for more detail). At their inception, these swaps ensured that cash flows were perfectly hedged over the life of the notes, however, they were deemed ineffective at the time of the 2006 acquisition of the Group by the Punch Taverns plc group, in accordance with the requirements of IAS 39, and therefore do not qualify for hedge accounting, with movements in their fair value being recognised in the income statement.

In November 2013, the Group purchased and cancelled a portion of the A1 and A3 notes and issued new A6 and A7 notes. The portion of the swaps associated with the A1 and A3 notes cancelled has been redesignated to the new A6 and A7 notes. As the contractual repayment profile of the A6 and A7 notes differs to the contractual repayment profile of the A1 and A3 notes, the A6 and A7 swaps no longer match the contractual repayment profile of those notes.

The interest rate exposure of the Group's financial liabilities (excluding short-term payables) is predominantly fixed, after taking account of the various interest rate swaps entered into by the Group.

(b) Financial risk management

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, capital risk and credit risk. There is no currency exposure as all material transactions and financial instruments are in sterling. The Group has no material exposure to equity securities or commodity price risk and it is the Group's policy that no speculative trading in financial instruments shall be undertaken. The Directors review and agree policies for each of these risks.

Interest rate risk
As the Group has no significant interest-bearing assets, other than cash and cash equivalents, the Group's income and operating cash flows are substantially independent of changes in market interest rates. Income and cash flows from cash and cash equivalents fluctuate with interest rates.

The Group finances its operations through a mixture of equity shareholders' funds and secured loan notes. The Group borrows at both fixed and floating rates of interest and then employs derivative financial instruments such as interest rate swaps to generate the desired interest rate profile and to manage the Group's exposure to interest rate fluctuations. The cash balances attract interest at floating rates.

Where over-hedging arises (for example, due to early repayment of floating rate notes) the Group will seek to eliminate the over-hedging, where this is financially practicable, either by embedding the cost in new swaps or by terminating the over-hedge. At 22 August 2015, there are £5.7m (23 August 2014: £5.7m) of interest swaps outstanding on cancelled floating rate notes.

The Group has taken out derivative financial instruments such that 96% of all loans at 22 August 2015 (23 August 2014: 98%) were either at fixed rate or were converted to fixed rate as a result of swap arrangements, thereby largely eliminating the Group's exposure to changes in interest rates.

Cash flows associated with cash and cash equivalents, debt and interest rate swaps and the fair value of these instruments fluctuate with changes in interest rates. If the interest rates had been 1% higher or lower during the period, the effect on the income statement would be as follows:

	Interest receivable £m	**Interest payable** £m	**Movement in fair value of interest rate swaps** £m
2015			
Impact on income statement and equity if interest rates increased by 1%: gain /(loss)	**1.1**	**(0.3)**	**42.0**
Impact on income statement and equity if interest rates decreased by 1%: (loss) / gain	**(1.1)**	**0.3**	**(42.0)**
2014			
Impact on income statement and equity if interest rates increased by 1%: gain	1.3	(0.1)	44.0
Impact on income statement and equity if interest rates decreased by 1%: loss	(1.3)	0.1	(44.0)

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's funding strategy is to ensure a mix of financing methods offering flexibility and cost-effectiveness to match the requirements of the Group. The Group is primarily financed by secured loan notes, with approximately 90% (23 August 2014: 93%) of the capital balance on these loan notes being repayable after more than five years from the balance sheet date, subject to relevant covenants being met. These covenants are formally reported on after each quarter end, but are monitored internally on a periodic basis. The Directors continue to review alternative sources of finance. The Group's objective is to smooth the debt maturity profile and to arrange funding ahead of requirements where required, so maturing short term debt may be refinanced or paid as it falls due. Cash flow forecasts are frequently produced to assist management in identifying liquidity requirements and are stress tested for possible scenarios. This includes assessment of the ability to meet the restricted payment condition in the securitisation structure in order that cash can be released to the top company level. Should the securitisation not meet the restricted payment condition, then cash generated may, under certain circumstances, become trapped within the securitisation (not made available to the wider Group) to naturally de-lever that securitisation. During the period to 22 August 2015, the restricted payment condition was met at each measurement date, including at 22 August 2015.

Cash balances are invested in short-term deposits such that they are readily available to settle short-term liabilities or to fund capital additions. Included within cash and cash equivalents held by the Group is £11.0m (2014: £26.7m) held in disposal proceeds accounts within the Debenture for which there are some restrictions in place regarding their use. The permitted uses for this restricted cash include the acquisition of licensed properties into the securitisation and the purchase of the securitisation's own debt.

Capital risk
The Group's capital structure is made up of net debt, issued share capital and reserves. These are managed effectively to minimise the Group's cost of capital, to add value to shareholders and to service debt obligations, ultimately ensuring that the Group continues as a going concern. The Group's principal external debt is held within one securitisation. The securitised debt is monitored by a variety of measures, which are reported to the debt providers on a quarterly basis. The primary measure is a debt service cover ratio (DSCR) which compares free cash flow to debt service (being interest and capital amortisation). The Group assesses the performance of the business, the level of available funds and the short to medium-term strategic plans concerning capital spend, as well as the need to meet financial covenants, and such assessment influences the level of dividends payable as well as decisions as to whether to buy back debt. In the current period, the Group reduced the nominal value of its outstanding securitised debt from £800.5m to £788.4m. At 22 August 2015 the DSCR was 1.9 times (23 August 2014: 1.9 times) compared to the default financial covenant of 1.3 times (23 August 2014: 1.3 times).

Credit risk
With the exception of cash and cash equivalents invested with banks and financial institutions, there are no significant concentrations of credit risk within the Group. The maximum credit risk exposure relating to financial assets is represented by the carrying value as at the balance sheet date. The Group's objective is to minimise credit risk by ensuring that surplus funds are invested with banks and financial institutions with high credit ratings and that the Group deals with third parties that have been subject to credit checks or that have good credit scores, where appropriate. Trade and other receivables, as shown on the consolidated balance sheet, comprise a large number of individually small amounts from unrelated customers and are shown net of a provision for doubtful debts. Management estimates the provision for doubtful debts based on a review of all individual receivable accounts, experience and known factors at the balance sheet date, taking into account any collateral held in the form of cash deposits, which is quantified. These cash deposits are applied against unpaid debt when licensees leave the pubs, and vary in size. The amount of cash deposits held at 22 August 2015 is £4.1m (23 August 2014: £4.0m). These are held on the balance sheet within trade and other payables. Receivables are written off against the doubtful debt provision when management deems the debt no longer recoverable.

An analysis of the provision held against trade receivables for doubtful debts is shown below:

	2015 **£m**	2014 £m
Opening provision for doubtful debts	**1.2**	1.9
Charged to income statement	**0.6**	0.3
Utilised during the period	**(0.3)**	(1.0)
Closing provision for doubtful debts	**1.5**	1.2

The ageing of trade receivables at the balance sheet date, net of the doubtful debt provision, is as follows:

		2015 **£m**	2014 £m
Live debt	Current	**3.5**	3.9
	0 – 35 days past due	**2.0**	0.1
	Over 35 days past due	**0.1**	0.3
		5.6	4.3

Live debt primarily represents balances outstanding from current licensees. Closed debt relates to outstanding balances from customers that are no longer current licensees of the Group and is fully provided.

There are no indicators at 22 August 2015 that debtors will not meet their payment obligations in respect of the net amount of trade receivables recognised in the balance sheet.

(c) Financial instruments fair value estimation

Financial instruments carried at fair value are required to be measured by reference to the following levels:

- Level 1 – quoted prices in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

Notes 10 and 11 include disclosures in relation to land and buildings that are measured at fair value and note 17 includes disclosures in relation to assets held for sale for which a fair value is measured.

The following table presents the Group's financial liabilities that are measured at fair value. Financial assets of the Group, which principally comprise trade receivables and cash and cash equivalents, are not included in this note because their book value approximates their carrying value.

At 22 August 2015	Fair value hierarchy			Total	Amortised	Total carrying
	Level 1	Level 2	Level 3	fair value	cost	value
	£m	£m	£m	£m	£m	£m
Financial liabilities at amortised cost						
Trade payables	-	**43.3**	-	**43.3**		**43.3**
Finance lease obligations	-	**11.1**	-	**11.1**		**11.1**
Secured loan notes due within one year	-	**11.9**	-	**11.9**	**10.7**	**10.7**
Secured loan notes due after more than one year	-	**791.2**	-	**791.2**	**789.7**	**789.7**
Financial liabilities at fair value through profit or loss						
Interest rate swaps due within one year	-	**22.9**	-	**22.9**		**22.9**
Interest rate swaps due after more than one year	-	**160.0**	-	**160.0**		**160.0**
Total liabilities	-	**1,040.4**	-	**1,040.4**		**1,037.7**

At 23 August 2014	Fair value hierarchy			Total	Amortised	Total carrying
	Level 1	Level 2	Level 3	fair value	cost	value
	£m	£m	£m	£m	£m	£m
Financial liabilities at amortised cost						
Trade payables	-	43.9	-	43.9		43.9
Finance lease obligations	-	11.6	-	11.6		11.6
Secured loan notes due within one year	-	12.0	-	12.0	13.5	13.5
Secured loan notes due after more than one year	-	784.1	-	784.1	803.2	803.2
Financial liabilities at fair value through profit or loss						
Interest rate swaps due within one year	-	20.8	-	20.8		20.8
Interest rate swaps due after more than one year	-	133.8	-	133.8		133.8
Total liabilities	-	1,006.2	-	1,006.2		1,026.8

The fair value of interest rate swaps are determined based on publicly available yield curves used in discounted cash flows, tested for reasonableness against a third party valuation.

There have been no transfers between Levels 1 and 2 during the period.

21. PROVISIONS

	Property leases £m	VAT repayable £m	Insurance £m	Total £m
At 17 August 2013	60.5	-	4.5	65.0
Unwinding of discount effect of provisions	5.0	-	-	5.0
Charged to income statement	-	20.2	3.5	23.7
Amounts refunded from third parties	-	2.0	-	2.0
Released to income statement on disposal[1]	(4.3)	-	-	(4.3)
Utilised during the period	(11.3)	-	(2.6)	(13.9)
At 23 August 2014	49.9	22.2	5.4	77.5
Unwinding of discount effect of provisions	4.0	-	-	4.0
Charged to income statement	-	0.9	3.8	4.7
Utilised during the period	(10.8)	-	(2.6)	(13.4)
At 22 August 2015	**43.1**	**23.1**	**6.6**	**72.8**

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

	2015 £m	2014 £m
Current	**32.2**	35.3
Non-current	**40.6**	42.2
	72.8	77.5

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 portfolio of trading and non-trading properties. The estimated period required to mitigate these losses is identified on an individual property basis by reference to the forecast profitability and investment programme for each property.

VAT repayable
The VAT provision represents the Group's outstanding gaming machine VAT claim and the associated default interest.

HMRC repaid the Group its outstanding claim in the period to 20 August 2011, following a decision in favour of the taxpayer in respect of The Rank Group plc's gaming claim, subject to the Group providing a guarantee to HMRC that, in the event that the existing decision in The Rank Group plc is overturned in a higher court, the amount will be repayable in full. The decision in relation to The Rank Group plc's claim was referred to the Court of Justice of the European Union, which in November 2011 also found in favour of the taxpayer. However, in October 2013 the Court of Appeal found in favour of HMRC in The Rank Group plc's gaming claim, and as a result, in January 2014, HMRC issued letters to the Group seeking repayment of amounts due (as outlined in 'Revenue & Customs Brief 01/14'). Following The Rank Group plc's appeal to the Supreme Court in April 2015, it decided in favour of HMRC in July 2015. At 22 August 2015, the cash has not been paid to HMRC.

The Group holds a provision for the amount previously repaid to the Group by HMRC of £17.9m as well as statutory interest of £3.0m and default interest of £2.2m (2014: £1.3m). During the prior year, the Group received a £2.0m refund from a third party in respect of fees associated with the claim.

Insurance
The provision for insurance relates to an estimate of monies that may become payable on claims not yet made to the Group or are outstanding on existing claims. The majority of this provision is expected to be utilised within five years of the balance sheet date.

22. SHARE BASED PAYMENTS

During the year the Group operated three types of share based payment arrangements which enabled Directors and employees to acquire shares in the Company prior to its delisting on 23 June 2015. All of the schemes were equity-settled schemes and the current status of each scheme is set out below.

Long-Term Incentive Plan 2011

The first scheme was a Long-Term Incentive Plan (LTIP) whereby eligible senior management were granted awards of LTIP shares. The shares were issued to LTIP members subject to their continued three-year employment from the date of award, and to the extent that the performance conditions set by the Remuneration Committee at the date the award was made were satisfied. The performance under the schemes was measured with reference to a 3-year EPS growth performance condition for 50% of the award, and a TSR performance condition measured with reference to the returns achieved by comparator companies (being the constituents of the FTSE 250 (excluding investment trusts and financial services companies)) for the other 50% of the award.

On 7 November 2014, the 9 November 2011 award vested in full and resulted in the issue of 6,681,055 shares on 11 November 2014. On 8 May 2015, the 8 May 2012 award vested in full. As a result of the acquisition of the Company by the Greene King group, the 9 November 2012 and 9 November 2013 awards vested, on a time pro-rated basis, on 23 June 2015. At 22 August 2015 there are no LTIP awards outstanding.

Share Bonus Plan 2011

The second scheme was a Share Bonus Plan (SBP) whereby certain senior management, who were eligible for an annual bonus, could participate. Eligible employees were awarded rights to the issue of a maximum number of shares at the beginning of a two year period, which they would be entitled to receive at the end of that period if the eligibility condition set by the Remuneration Committee at the time the allocation was made was satisfied. All remaining SBP awards were released to members on 26 June 2015 and there are no SBP awards outstanding.

Share Incentive Plan 2011

The third scheme was a Share Incentive Plan (SIP) which was introduced in November 2011 and was open to all eligible employees, whereby proceeds contributed by employees were used to buy shares in the Company at prevailing market values on a monthly basis. These shares were called Partnership Shares and are held in a trust on behalf of the employee. For every Partnership Share bought by the employee the Company gave the employee one share free of charge (Matching Share). Although contributions to the SIP (and subsequent market purchases) ceased on 23 June 2015, the Partnership and Matching shares are still held in trust and employees are still required to take their shares out of the plan on leaving the Company and will not be entitled to the Matching Share if they leave within three years of purchasing the Partnership Shares.

As at 23 June 2015, 1,717,775 shares had been issued by the Company to the trust at par value (23 August 2014: 1,643,758 shares). The par value of the shares issued that has been deducted from reserves is negligible. On 24 June 2015 the shares held by the trust were converted to 227,090 Greene King plc shares.

Fair value of share awards

Long-Term Incentive Plan

The key assumptions used in the measurement of the fair values of the awards are as follows:

Grant date	9 November 2013	9 November 2012	8 May 2012	9 November 2011
Valuation model (TSR element)	Monte Carlo	Monte Carlo	Monte Carlo	Monte Carlo
Valuation model (EPS element)	Black Scholes	Black Scholes	Black Scholes	Black Scholes
Share price at date of grant	£0.78	£0.59	£0.56	£0.44
Exercise price	£nil	£nil	£nil	£nil
Expected volatility	26.7%	28.5%	32.3%	60.3%
Expected life	3 years	3 years	3 years	3 years
Risk-free interest rate	0.78%	0.26%	0.52%	0.66%
Expected dividend yield	2.63%	3.29%	3.53%	4.27%
Fair value per award	£0.59	£0.44	£0.41	£0.33

Expected volatility was calculated based on a proxy volatility for the Company using the average volatility of six companies in the same sector for a period corresponding to the expected life of the option or share award.

The risk-free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life.

Share Incentive Plan

The fair value of the Matching shares is recognised as the market value of the shares issued at the date of purchase. This charge is spread over the three-year vesting period on a straight-line basis.

Movements in awards under share based payment schemes

Reconciliations of movements for the LTIP, SBP and SIP schemes over the 52 weeks to 22 August 2015 are shown below:

	Long-term Incentive Plan No.	Share Bonus Plan No.	Share Incentive Plan No.
Outstanding at 23 August 2014	16,423,624	185,923	854,264
Granted during the period	-	-	202,427
Lapsed during the period	(339,058)	-	-
Released during the period	-	(185,923)	-
Exercised during the period	(13,234,883)	-	(17,498)
Forfeited during the period	(2,849,683)	-	(157,692)
Converted to shares in Greene King plc during the period	-	-	(881,501)
Outstanding at 22 August 2015	**-**	**-**	**-**

23. SHARE CAPITAL

	2015		2014	
	No.	**£m**	No.	£m
Allotted, issued, called-up and fully paid				
Ordinary shares of 1 pence	**673,948,253**	6.7	660,528,331	6.6
Deferred share of 1 pence	**1**	-	-	-

Changes in share capital
On 22 June 2015, one deferred share was allotted to Greene King plc. On 23 June 2015, the Company's 673,948,253 ordinary shares were cancelled by Court Order, and 673,948,253 ordinary shares were allotted to Greene King plc at nominal value.

Under the Long-Term Incentive Plan and Share Bonus Plan, 13,345,905 ordinary shares were issued during the period (2014: nil). Under the Share Incentive Plan, 164,735 matching shares were issued at par consideration (2014: 206,740). See note 22 for further details of these schemes. The issue of these shares resulted in net cash proceeds of £nil (2014: £nil).

All ordinary shares in issue at 22 August 2015 rank pari passu in all respects.

24. NET DEBT

(a) Analysis of net debt

	2015 £m	2014 £m
Secured loan notes	**(788.4)**	(800.5)
Cash and cash equivalents	**89.8**	159.1
Nominal value of net debt[1]	**(698.6)**	(641.4)
Capitalised issue costs	**5.1**	6.6
Fair value adjustments in respect of secured loan notes	**(19.8)**	(22.8)
Fair value of interest rate swaps	**(182.9)**	(154.6)
Finance lease obligations	**(11.1)**	(11.6)
Net debt	**(907.3)**	(823.8)
Balance sheet:		
Borrowings	**(814.2)**	(828.3)
Derivative financial instruments	**(182.9)**	(154.6)
Cash and cash equivalents	**89.8**	159.1
Net debt	**(907.3)**	(823.8)

[1] Nominal value of net debt excludes finance lease obligations

(b) Analysis of changes in net debt

	At 17 August 2013 £m	Cash flow £m	Non-cash movements £m	At 23 August 2014 £m	Cash flow £m	Non-cash movements £m	**At 22 August 2015 £m**
Current assets							
Cash at bank and in hand	101.6	57.5	-	159.1	(69.3)	-	**89.8**
	101.6	57.5	-	159.1	(69.3)	-	**89.8**
Debt							
Borrowings	(844.9)	14.3	2.3	(828.3)	12.6	1.5	**(814.2)**
Derivative financial instruments	(147.5)	5.9	(13.0)	(154.6)	-	(28.3)	**(182.9)**
	(992.4)	20.2	(10.7)	(982.9)	12.6	(26.8)	**(997.1)**
Net debt per balance sheet	(890.8)	77.7	(10.7)	(823.8)	(56.7)	(26.8)	**(907.3)**

Net debt incorporates the Group's borrowings, derivative financial instruments and obligations under finance leases, less cash and cash equivalents.

Non-cash movements relate to the amortisation of premium on loan notes, capitalised issue costs and derivative financial instruments together with fair value movements on derivative financial instruments.

(c) Reconciliation of net cash flow to movement in net debt

	2015 £m	2014 £m
(Decrease) / increase in cash and cash equivalents in the period	**(69.3)**	57.5
Cash outflow from change in debt financing	**12.6**	20.2
Change in net debt resulting from cash flows	**(56.7)**	77.7
Non-cash movements in net debt	**(26.8)**	(10.7)
Obligations under finance leases	**-**	-
Change in net debt resulting from non-cash flows	**(26.8)**	(10.7)
Movement in net debt	**(83.5)**	67.0
Opening net debt	**(823.8)**	(890.8)
Closing net debt	**(907.3)**	(823.8)

25. RETIREMENT BENEFITS

During the year, 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).

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.

The Spirit Group (Legacy) Pension Scheme operates in the UK and is a final salary pension plan, which provides benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. Pensions in payment are updated in line with the retail price index.

The benefit payments are from trustee-administered funds. Plan assets held in trusts are governed by UK regulations, as is the nature of the relationship between the Group and the trustees and their composition. Responsibility for governance of the plan – including investment decisions and contribution schedules – lies jointly with the Group and the board of trustees. The board of trustees must be composed of representatives of the Group and scheme participants in accordance with the schemes' regulations.

Following the completion of the triennial actuarial valuations of the pension schemes, minimum funding plans have been agreed, setting out contributions to be made by the Group. The expected contributions to the defined benefit pension scheme in the period ending 20 August 2016 are £5.0m. The level of contributions required to be made to the defined benefit plans may affect the amount, timing and uncertainty of the Group's future cash flows.

(a) Net retirement benefit liability

	2015		2014	
	SGLPS	SGPS	SGRPS	Total
	£m	£m	£m	£m
Fair value of scheme assets	**492.1**	157.9	310.8	468.7
Present value of scheme liabilities	**(508.9)**	(159.3)	(307.5)	(466.8)
Net retirement benefit (liability) / asset	**(16.8)**	(1.4)	3.3	1.9
Impact of minimum funding requirement / asset ceiling	**-**	-	(5.7)	(5.7)
Net retirement benefit liability recognised in the balance sheet	**(16.8)**	(1.4)	(2.4)	(3.8)

At 23 August 2014, the SGRPS net retirement benefit asset of £3.3m was restricted to £4.6m, being the amount that could be recovered through reduced contributions to the related defined contribution scheme. A liability of £5.7m was also recognised at 23 August 2014, being the minimum funding requirement agreed following the triennial valuation of the SGRPS scheme, completed in 2013.

The weighted average duration of the defined benefit obligation for the 52 week period to 22 August 2015 was 20 years for the SGLPS. The expected maturity profile of the undiscounted defined benefit payments is as follows:

	Within one year	**Two to five years**	**Six to ten years**	**More than ten years**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
As at 22 August 2015	**23.1**	**70.3**	**108.6**	**888.3**	**1,090.3**

(b) Movements in net retirement benefit liability

	Fair value of scheme assets £m	Present value of scheme liabilities £m	Sub-total £m	Impact of minimum funding requirement / asset ceiling £m	Total £m
At 17 August 2013	435.9	(419.3)	16.6	(17.2)	(0.6)
Expenses	(1.6)	-	(1.6)	-	(1.6)
Net finance cost	20.9	(20.0)	0.9	(0.9)	-
Amounts included in income statement	19.3	(20.0)	(0.7)	(0.9)	(1.6)
Remeasurements:					
- Return on plan assets, excluding amounts included in interest expense/(income)	20.3	-	20.3	-	20.3
- Gain from change in financial assumptions	-	(40.7)	(40.7)	-	(40.7)
- Change in asset ceiling, excluding amounts included in interest expense	-	-	-	12.4	12.4
Amounts included in other comprehensive income	20.3	(40.7)	(20.4)	12.4	(8.0)
Contributions from employers	6.4	-	6.4	-	6.4
Payments from plans - benefit payments	(13.2)	13.2	-	-	-
At 23 August 2014	468.7	(466.8)	1.9	(5.7)	(3.8)
Expenses	(2.5)	-	(2.5)	-	(2.5)
Settlement / curtailment costs	-	(1.0)	(1.0)	-	(1.0)
Net finance cost	19.1	(18.9)	0.2	(0.2)	-
Amounts included in income statement	16.6	(19.9)	(3.3)	(0.2)	(3.5)
Remeasurements:					
- Return on plan assets, excluding amounts included in interest expense/(income)	33.8	-	33.8	-	33.8
- Loss from change in financial assumptions	-	(67.0)	(67.0)	-	(67.0)
- Gain from change in demographic assumptions	-	11.4	11.4	-	11.4
- Change in asset ceiling, excluding amounts included in interest expense	-	-	-	5.9	5.9
Amounts included in other comprehensive income	33.8	(55.6)	(21.8)	5.9	(15.9)
Contributions from employers	6.4	-	6.4	-	6.4
Payments from plans - benefit payments	(33.4)	33.4	-	-	-
At 22 August 2015	**492.1**	**(508.9)**	**(16.8)**	**-**	**(16.8)**

(c) Financial assumptions

The values of both schemes' liabilities have been determined by a qualified actuary based on the results of actuarial valuations as at 31 October 2012, updated to the balance sheet date.

The significant actuarial assumptions used in determining the valuations are as follows, and apply to both schemes:

	2015	2014
Rate of increase in pensions	**3.2%**	3.1%
Discount rate	**3.5%**	4.2%
Inflation assumption (RPI)	**3.3%**	3.4%
Inflation assumption (CPI)	**2.3%**	2.5%

The mortality assumptions at the period end are based on standard mortality tables that allow for future mortality improvements. The assumptions are that the life expectancy of a member who retires at the age of 65 is as follows:

	2015	2014	
	SGLPS	SGPS	SGRPS
Male currently aged 45	24 years	25 years	24 years
Male currently aged 65	22 years	23 years	22 years
Female currently aged 45	26 years	27 years	27 years
Female currently aged 65	24 years	24 years	24 years

(d)Fair value of scheme assets

Both schemes' assets are stated at their market values at the balance sheet date and the expected return on scheme assets is derived as a weighted average of the expected return on each asset class, recognising the proportions of the assets invested in each. The expected return on each asset class is determined after taking external expert advice and by reference to relevant equity and bond indices.

	22 August 2015	23 August 2014		
	SGLPS	SGPS	SGRPS	Total
	£m	£m	£m	£m
Equities	**118.5**	48.5	76.8	125.3
Debt - government bonds	**164.1**	46.6	100.4	147.0
Debt - corporate bonds	**156.7**	47.6	105.4	153.0
UK Property	**45.1**	14.0	25.8	39.8
Other	**7.7**	1.2	2.4	3.6
Net pension asset	**492.1**	157.9	310.8	468.7

The assets above are quoted with the exception of UK Property. The fair values of the assets have not materially changed due to the adoption of IFRS 13.

The pension schemes have not invested in any of the Group's own financial instruments, nor in properties or other assets used by the Group.

(e) Sensitivities

The sensitivities regarding the principal assumptions used to measure the schemes' liabilities are set out below. The illustrations consider the single change shown with the other assumptions assumed to be unchanged. In practice changes in one assumption may be accompanied by offsetting changes in another assumption. Changes in market values may also occur at the same time as the changes in assumptions and may or may not offset them.

Assumption	Change in assumption	Impact on scheme liabilities	
		2015	2014
Discount rate	Decrease by 0.5%	Increase by £57m	Increase by £56m
Rate of inflation	Increase by 0.5%	Increase by £49m	Increase by £47m

(f) Risks and uncertainties

Both of the Group's defined benefit pension schemes are closed to new members. The schemes are subject to risk regarding the relative amount of the schemes' assets, which are affected by the value of investments and the returns generated by such investments, compared to the schemes' liabilities, which are affected by changes in the life expectancy, actual and expected price inflation and changes in bond yields. The difference in value between scheme assets and scheme liabilities may vary significantly in the short term, potentially resulting in an increased deficit (or reduced surplus) being recognised on the Group's balance sheet.

26. OPERATING LEASE COMMITMENTS - MINIMUM LEASE PAYMENTS

Group	2015 £m	2014 £m
Future minimum rentals payable under non-cancellable operating leases:		
Within one year	**69.6**	67.9
Between one and five years	**404.0**	267.8
After five years	**830.1**	917.1
	1,303.7	1,252.8

The future minimum rentals payable under non-cancellable operating leases when discounted to present value are £596.5m (23 August 2014: £586.2m).

The Group leases various licensed properties, offices and other commercial properties under non-cancellable operating lease agreements. The leases have various terms, escalation clauses and renewal rights. The Group also leases vehicles under non-cancellable operating lease agreements.

The Group operates 179 licensed properties under non-cancellable operating lease agreements which were extended in the year and now expire in 2044.

The total future minimum sublease payments expected to be received are £41.3m (23 August 2014: £41.9m).

The Group is a lessor of licensed properties to retailers. The leases have various terms, escalation clauses and renewal rights.

The total non-cancellable future minimum lease payments expected to be received in respect of these leases are:

	2015 £m	2014 £m
Within one year	**17.0**	17.4
Between one and five years	**51.2**	59.9
After five years	**76.2**	81.8
	144.4	159.1

The Company has no operating lease commitments at 22 August 2015 (23 August 2014: £nil).

27. CAPITAL AND OTHER FINANCIAL COMMITMENTS

Group

Capital commitments for property, plant & equipment	2015 £m	2014 £m
Contracted but not yet incurred	**12.4**	8.9

The Company has no capital commitments at 22 August 2015 (23 August 2014: £nil).

28. RELATED PARTY TRANSACTIONS

Group

Transactions with key management personnel
The key management personnel of the Group comprise Directors of the Company. Their remuneration is set out in note 7.

Transactions with defined benefit pension schemes
Neither the Group nor the Company have had any transactions with any of the pension schemes during the current or prior periods, other than those disclosed in note 25.

Transactions with Greene King plc
During the period since the acquisition of the Company by Greene King plc, the Group has transferred cash of £20.5m to its parent company Greene King plc.

Company

Transactions with key management personnel
The key management personnel of the Company comprise Directors of the Company. The Directors do not receive any remuneration from the Company (2014: £nil) as their emoluments are borne by other Group companies. The Company did not have any transactions with the Directors during the period (2014: £nil).

Transactions with subsidiary undertakings
During the period, the Company has received dividends from its subsidiary Spirit Pub Company (Holdco) Limited of £73.0m (2014: £8.0m).

Transactions with Greene King plc
During the period since the acquisition of the Company by Greene King plc, the Company has transferred cash of £12.0m to its parent company Greene King plc.

29. CONTINGENT LIABILITIES

In prior periods, the Group has disposed of a number of properties for which it remains contingently liable for the head leases should the assignee default on the terms of the lease. This may result in a number of leases reverting to the Group for which the annual net exposure to the Group is considered unlikely to exceed £1.8m per annum (23 August 2014: £1.8m).

30. ULTIMATE PARENT COMPANY

The company's immediate parent undertaking is Greene King plc, a company registered in England & Wales.

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

The parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the company is a member is currently Spirit Pub Company Limited and from 1 May 2016 will be Greene King plc.

Copies of the financial statements of Greene King plc are available from Westgate Brewery, Bury St Edmunds, Suffolk, IP33 1QT.

31. POST BALANCE SHEET EVENTS

There were no adjusting or non-adjusting events after the balance sheet date.

32. SUBSIDIARY UNDERTAKINGS OF THE COMPANY

The following companies, incorporated in England and Wales, are wholly-owned subsidiaries of Spirit Pub Company Limited, except where noted otherwise.

Company Name	Nature of business
Allied Kunick Entertainments Limited	Property management
Aspect Leisure Activities Limited	Dormant
Aspect Ventures Limited	Non trading
AVL (Pubs) No.1 Limited	Dormant
AVL (Pubs) No.2 Limited	Dormant
Barnaby's Carvery Limited	Dormant
Barshelf 2 Limited	Dormant
Catertour Limited	Dormant
Chef & Brewer Hotels Limited	Dormant
Chef & Brewer Limited	Dormant
Cheshire Hotels (Developments) Limited	Dormant
Cheshire Hotels Limited	Dormant
City Limits Limited	Dormant
Cleveland Place Holdings Limited	Non trading
Country Fayre Restaurants Limited	Dormant
Country Grill Restaurants Limited	Dormant
CPH (R&L) No.1 Limited	Non trading
CPH (R&L) No.2 Limited	Non trading
CPH Palladium Limited	Non trading
Dearg Limited	Non trading
Freehouse Limited	Dormant
Freshwild Limited	Non trading
Holyoakes Lane Management Company Limited[1]	Dormant
Homespreads Limited	Dormant
Huggins and Company Limited	Non trading
John Barras & Co Limited	Dormant
Lakes (Waterside) Management Company Limited[1]	Non trading
Little London Pubs Limited	Dormant
London Pub-Restaurants Limited	Dormant
London Tourist Pubs Limited	Dormant
Mountloop Limited	Dormant
Narnain	Dormant
New Pubco Holdings Limited	Dormant
Open House Limited	Dormant
Partstripe Limited	Non trading
R.V. Goodhew Limited	Dormant
Readystripe Limited	Dormant
Schooner Inns Limited	Dormant
Southern Inns Limited	Dormant
Spirit (AKE Holdings) Limited	Dormant
Spirit (BRB) Limited	Dormant
Spirit (CCR) Limited	Dormant
Spirit (Faith) Limited	Unlicenced property ownership company
Spirit (Legacy) Pension Trustee Limited	Dormant
Spirit (Lodges Holdings) Limited	Dormant
Spirit (OOL) Limited	Dormant
Spirit (PSC) Limited	Dormant
Spirit (Redwood Bidco) Limited	Non trading

Company Name	Nature of business
Spirit (SGL) Limited	Holding company
Spirit Acquisition Properties Limited	Non trading
Spirit Acquisitions Holdings Limited	Non trading
Spirit Financial Holdings Limited	Dormant
Spirit Finco Limited[2]	Non trading
Spirit Funding Limited[2]	Dormant
Spirit Group Equity Limited	Non trading
Spirit Group Holdings Limited	Intermediate holding company
Spirit Group Parent Limited	Non trading
Spirit Group Pension Trustee Limited	Dormant
Spirit Group Retail (North) Limited	Dormant
Spirit Group Retail (Northampton) Limited	Non trading
Spirit Group Retail (Pubs) No.1 Limited	Non trading
Spirit Group Retail (Pubs) No.2 Limited	Non trading
Spirit Group Retail (South) Limited	Dormant
Spirit Group Retail Hotels Limited	Dormant
Spirit Group Retail Limited	Non trading
Spirit Group Retail Pensions Limited	Dormant
Spirit Group Retail Pubs and Restaurants Limited	Dormant
Spirit Intermediate Holdings Limited	Non trading
Spirit Managed Funding Limited	Financing company
Spirit Managed Holdings Limited	Non trading
Spirit Managed Inns Limited	Non trading
Spirit Parent Limited	Dormant
Spirit Pub Company (Derwent) Limited	Pub operating company
Spirit Pub Company (Holdco) Limited	Holding company
Spirit Pub Company (Inns) Limited	Dormant
Spirit Pub Company (Investments) Limited	Financing company
Spirit Pub Company (Leased) Limited	Pub operating company
Spirit Pub Company (Managed) Limited	Pub operating company
Spirit Pub Company (Services) Limited	Management and administration company
Spirit Pub Company (SGE) Limited	Intermediate holding company
Spirit Pub Company (Supply) Limited	Group supply company
Spirit Pub Company (Trent) Limited	Pub operating company
Spirit Pubs Debenture Holdings Limited	Intermediate holding company
Spirit Pubs Parent Limited	Dormant
Spirit Retail Bidco Limited	Non trading
Spirit SLB Limited	Dormant
Springtarn Limited	Non trading
Steward & Patteson Limited	Dormant
Stickpad Limited	Dormant
Telscombe Tavern Limited	Dormant
The Chef & Brewer Group Limited	Non trading
The Host Group Limited	Dormant
The Nice Pub Company Limited	Dormant
Tom Cobleigh (Inns) Limited	Dormant
Tom Cobleigh (Trading) Limited	Dormant
Tom Cobleigh Group Limited	Non trading
Tom Cobleigh Holdings Limited	Dormant
Tom Cobleigh Limited	Non trading
Whitegate Taverns Limited	Dormant

[1] Not a wholly owned subsidiary of the Group
[2] Incoprorated in the Cayman Islands

COMPANY INFORMATION

Directors
Rooney Anand
Kirk Davis

Company secretary
Lindsay Keswick

Registered office
Sunrise House
Ninth Avenue
Burton upon Trent
DE14 3JZ
+44 (0)1283 498 400

Company number
07662835

ADVISORS

Auditor
KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
+44 (0)121 232 3000

Principal bankers
Barclays Bank plc
One Snowhill
Snow Hill Queensway
Birmingham
B3 2WN
+44 (0)121 480 5562

Legal Adviser
Slaughter and May
One Bunhill Row
London
EC1Y 8YY
+44 (0)20 7600 1200

SPIRIT PUB COMPANY LIMITED

APPENDIX TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEK PERIOD ENDED 22 AUGUST 2015

List of subsidiaries

Spirit Pub Company (Holdco) Limited	7662211
Spirit Pub Company (SGE) Limited	7662502
Spirit (Legacy) Pension Trustee Limited	07729971
Spirit (Redwood Bidco) Limited	5622593
Spirit Group Holdings Limited	4872028
Spirit Intermediate Holdings Limited	4914762
Spirit Group Parent Limited	4872039
New Pubco Holdings Limited	5266810
Spirit Acquisitions Holdings Limited	4914737
Spirit Managed Holdings Limited	4271973
Spirit Group Equity Limited	4271971
Spirit (PSC) Limited	3946005
Spirit Acquisition Properties Limited	4459630
Tom Cobleigh Holdings Limited	4050400
Tom Cobleigh Group Limited	4050507
Spirit Financial Holdings Limited	4320672
Spirit Parent Limited	4271748
Spirit Managed Inns Limited	5266815
Spirit Pub Company (Inns) Limited	5699584
Spirit Pub Company (Investments) Limited	07020781
Spirit Pubs Debenture Holdings Limited	5266779
Spirit Pubs Parent Limited	5267589
Spirit (SGL) Limited	3982443
Spirit (AKE Holdings) Limited	3982423
Allied Kunick Entertainments Limited	2911600
Spirit (Faith) Limited	3724077
Barshelf 2 Limited	3724067
Spirit (BRB) Limited	3724073
Freehouse Limited	3437803
Spirit (Lodges Holdings) Limited	3982439
Tom Cobleigh Limited	2673413
The Nice Pub Company Limited	2588139
Tom Cobleigh (Inns) Limited	2684842
Tom Cobleigh (Trading) Limited	2594527
Spirit Pub Company (Leased) Limited	5699544
Spirit Pub Company (Managed) Limited	5269240
Spirit Retail Bidco Limited	4872046
Aspect Ventures Limited	2468264
Aspect Leisure Activities Limited	2467841
AVL (Pubs) No.1 Limited	4807720
AVL (Pubs) No.2 Limited	4807691
Cleveland Place Holdings Limited	57987
CPH (R&L) No.1 Limited	4807690
CPH (R&L) No.2 Limited	4807708
Dearg Limited	4661724
CPH Palladium Limited	4661726
Freshwild Limited	4555609
Freshwild Limited	4555609
Mountloop Limited	4555610
Homespreads Limited	55656

SPIRIT PUB COMPANY LIMITED

APPENDIX TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEK PERIOD ENDED 22 AUGUST 2015

Narnain	4700766
CPH Palladium Limited	4661726
Dearg Limited	4661724
Huggins and Company, Limited	00056674
Spirit Group Retail (North) Limited	302339
The Chef & Brewer Group Limited	455013
John Barras & Co Limited	68144
Little London Pubs Limited	324650
London Pub-Restaurants Limited	170127
London Tourist Pubs Limited	23925
Narnain	4700766
Southern Inns Limited	28901
Spirit Group Retail Hotels Limited	215000
Steward & Patteson Limited	44502
The Chef & Brewer Group Limited	455013
Barnaby's Carvery Limited	245269
Catertour Limited	1605111
Chef & Brewer Hotels Limited	705176
Chef & Brewer Limited	380108
Cheshire Hotels Limited	881168
Cheshire Hotels (Developments) Limited	1548800
City Limits Limited	345625
Country Grill Restaurants Limited	1533157
Catertour Limited	1605111
Country Fayre Restaurants Limited	1764515
Mountloop Limited	4555610
Open House Limited	613133
R.V. Goodhew Limited	941642
Schooner Inns Limited	394632
Chef & Brewer Hotels Limited	705176
Country Fayre Restaurants Limited	1764515
Country Grill Restaurants Limited	1533157
Spirit (CCR) Limited	245013
Spirit (OOL) Limited	474818
Spirit Group Retail (North) Limited	302339
Spirit (OOL) Limited	474818
Spirit Group Retail (South) Limited	1904519
Whitegate Taverns Limited	1838261
Springtarn Limited	4664255
Telscombe Tavern Limited	785488
The Host Group Limited	720045
Partstripe Limited	4555293
Readystripe Limited	4555295
Spirit Group Retail (Northampton) Limited	4090163
Spirit Group Retail Limited	3794854
Readystripe Limited	4555295
Spirit Group Retail (Northampton) Limited	4090163
Spirit Group Retail (Pubs) No.1 Limited	4807705
Spirit Group Retail (Pubs) No.2 Limited	4807709
Stickpad Limited	3734363
Spirit Group Retail Pensions Limited	2862968
Spirit Group Retail Pubs and Restaurants Limited	SC086166

Spirit SLB Limited	5203109
Spirit Group Pension Trustee Limited	3888706
Spirit Pub Company (Services) Limited	5266811
Spirit Pub Company (Supply) Limited	4341771
Spirit Managed Funding Limited	5266806
Spirit Pub Company (Derwent) Limited	08822132
Spirit Pub Company (Trent) Limited	5746068
Spirit Finco Limited	114500
Spirit Funding Limited	114506
Holyoakes Lane Management Company Limited	3150801
Lakes (Waterside) Management Company Limited	3195804