Hardys & Hansons p.l.c.

Directors' report and financial statements

Registered number 00052412

29 September 2006

Contents

Directors and advisors

Directors	J.R. Kerr-Muir	(resigned 5.9.06)
	M.J. Barnes	(resigned 5.9.06)
	P.T. Helps	(resigned 5.9.06)
	T.E. Bonham	(resigned 6.12.05)
	N.J. Forman Hardy	(resigned 5.9.06)
	J.P. Webster	
	D.A.G. Smith	
	I.S. Masson	(resigned 5.6.06)
	R. Anand	(appointed 5.9.06)
	I. Bull	(appointed 5.9.06)
	M. Angela	(appointed 5.9.06)
	D. Elliot	(appointed 5.9.06)

Secretary and registered office

L. Keswick
Hardys & Hansons p.l.c.
The Brewery
Kimberley
Nottingham
NG16 2NS

Registered number

00052412

Auditors

KPMG Audit Plc
St Nicholas House
Park Row
Nottingham
NG1 6FQ

Bankers

Lloyds TSB Bank plc
PO Box 908
125 Colmore Row
Birmingham
B3 2DS

Directors' report

The directors present their report and the financial statements for the 52 week period ended 29 September 2006.

Principal activities and Business review

The company's principal business activities consists of the brewing of beer, the wholesaling and retailing of beer, wines and spirits and soft drinks, the retailing of food and the ownership and management of public houses.

Operating profit before exceptional items was £15.8m, an increase of 9%. Profit before tax in the 52 week period was £5.6m compared with £18.4m in 2005. Profit before tax is reported after charging exceptional items of £10.7m *(2005: £nil)*, crediting profit on disposal of fixed assets of £0.4m *(2005: £3.6m)* and net interest of £0.2m *(2005: £0.4m)*. Profit before tax after adjusting for these items was £15.8m *(2005: £14.4m)*.

On 5 September 2006 the company was acquired by Greene King plc.

Post balance sheet event

Since the period end, as part of the process of integration into the Greene King Group, the business was sold to a fellow subsidiary, Greene King Brewing and Retailing Limited for £280.7m on 13 November 2006. The company has retained a number of employees which it seconds to the Group.

Dividends

The final dividends for 2005 of 12.1 pence per share, on both the ordinary and deferred ordinary shares, amounting to a total of £3.025m, were paid on 6 March 2006.

Interim dividends for 2006 of 7.60 pence per ordinary share and 7.35 pence per deferred ordinary share, amounting to a total of £1.888m, were paid on 7 August 2006. The company did not pay a final dividend, following the acquisition by Greene King plc.

Redemption of shares

During the year £225,000 of 5% First cumulative preference shares of £1 each and £200,000 of 6% Second cumulative preference shares of £1 each were redeemed for a total of £595,000.

Directors and their interests

The directors who served during the 52 week period are as set out on page 1. Their shares in the company were sold or cancelled on 5 September 2006 and as a result the directors had no interest in the share capital of the company at the period end. The directors' interests in the shares of the ultimate holding company, Greene King plc, are shown in that company's financial statements.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Directors' report *(continued)*

Property valuation

A property valuation was undertaken as at 30 September 2005 and reported within the 2005 financial statements. This valued the company's property estate at £181.5m compared to a net book value of £116.9m. Greene King plc have undertaken a further review of property values as at 5 September 2006 on the acquisition of the company.

Charitable donations

During the period the company made no charitable donations.

Employees

The company recognises the importance of promoting and maintaining good communications with its employees. During the year regular meetings were held with employee representatives. This has been particularly important during the process of acquisition by and integration with Greene King.

The company continues to employ disabled persons and affords them the same training, career development and promotional opportunities as for all other employees and provides all possible assistance to persons temporarily or permanently disabled whilst in the company's employment.

Creditor payment policy

It is the company's policy to pay suppliers in accordance with the terms agreed provided that the supplier has also complied with the relevant terms and conditions. The trade creditors at 29 September 2006 represented 32 days *(2005:39 days)* of annual purchases.

By order of the board

LKeswick

L Keswick
Company Secretary

28 November 2006

Statement of directors' responsibilities in respect of the directors' report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial period. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditors' report to the members of Hardys & Hansons plc

We have audited the financial statements of Hardys & Hansons plc for the 52 week period ended 29 September 2006 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the cash flow statement, the note of historical cost profits and losses, the reconciliation of movement in shareholders' funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 29 September 2006 and of its profit for the 52 week period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

KPMG Audit Plc

KPMG Audit Plc
St Nicholas House
Park Row
Nottingham NG1 6FQ
United Kingdom

28 November 2006

Chartered Accountants
Registered Auditor

Profit and loss account

for the 52 week period ended 29 September 2006

	Note	**2006** £000	**2006** £000	2005 As restated £000	2005 As restated £000
Turnover	2		**83,083**		81,514
Change in stocks of finished goods and work in progress			**214**		(155)
			83,297		81,359
Raw materials, consumables and duty			**(26,981)**		(27,545)
			56,316		53,814
Operating Costs					
Staff costs	3	**(24,470)**		(19,266)	
Depreciation and amortisation		**(3,515)**		(3,174)	
Other operating costs	6	**(23,227)**		(16,942)	
			(51,212)		(39,382)
Operating profit before exceptional items		**15,767**		14,432	
Exceptional items within operating costs	6	**(10,663)**		-	
Operating profit			**5,104**		14,432
Profit on disposal of fixed assets	4		**354**		3,579
			5,458		18,011
Income from listed investments		-		23	
Other finance income – pension scheme	25	**167**		(8)	
Other interest receivable		**87**		421	
Interest payable	5	**(80)**		(13)	
			174		423
Profit on ordinary activities before taxation	6		**5,632**		18,434
Tax on profit on ordinary activities	7		**(2,894)**		(5,586)
Profit on ordinary activities after taxation			**2,738**		12,848

All of the operations of the company were discontinued on 13 November 2006 when they were transferred to Greene King plc.

Statement of total recognised gains and losses
for the 52 week period ended 29 September 2006

	Note	2006 £000	2005 As restated £000
Profit attributable to equity shareholders		**2,738**	12,825
Actuarial loss on the pension scheme	25	**(897)**	(645)
Deferred tax in respect of actuarial loss		**269**	194
Total gains and losses recognised in the period		**2,110**	12,374
Prior year adjustment	29	**(1,163)**	-
Total recognised gains and losses since the last annual report		**947**	12,374

Note of historical cost profits
for the 52 week period ended 29 September 2006

	2006 £000	2005 £000
Profit on ordinary activities before taxation	**5,632**	18,434
Realisation of property revaluation gains of prior years	**-**	162
Difference between the historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	**29**	30
Historical cost profit on ordinary activities before taxation	**5,661**	18,626
Historical cost (loss)/profit for the period retained after taxation and dividends	**(2,146)**	8,229

Reconciliation of movements in total shareholders' funds
for the 52 week period ended 29 September 2006

	Note	2006 £000	2005 As restated £000
Opening shareholders' funds as previously reported		**128,156**	120,196
Prior year adjustments	*29*	**1,862**	2,197
Opening shareholders' funds as restated		**130,018**	122,393
Profit on ordinary activities after taxation		**2,738**	12,848
Non-equity dividends	*8*	**-**	(23)
Equity dividends	*8*	**(4,913)**	(4,788)
Retained (loss)/profit for the period		**(2,175)**	8,037
(Charge)/credit in respect of share options granted under long term incentive plan		**(39)**	39
Credit in respect of shares allocated under employee share scheme		**-**	250
Net actuarial loss on the pension		**(628)**	(451)
Shares purchased to satisfy allocation under share incentive plan		**-**	(250)
Redemption of preference shares	*19*	**(425)**	-
Premium on redemption of preference shares	*19*	**(170)**	-
Net (reduction in)/addition to shareholders' funds		**(3,437)**	7,625
Shareholders' funds at 29 September		**126,581**	130,018

Balance sheet
as at 29 September 2006

	Note	2006 £000	2006 £000	2005 As restated £000	2005 As restated £000
Fixed assets					
Intangible assets	*9*		**248**		-
Tangible assets	*10*		**139,954**		133,046
Investments	*11*		**1,003**		1,039
Shares in Hansons Limited less amounts due	*12*		**-**		110
			141,205		134,195
Current assets					
Stocks	*13*	**1,813**		1,665	
Debtors	*14*	**4,738**		5,543	
Cash at bank and in hand		**1,783**		6,009	
		8,334		13,217	
Creditors: Amounts falling due within one year	*15*	**(18,119)**		(12,908)	
Net current (liabilities)/assets			**(9,785)**		309
Total assets less current liabilities			**131,420**		134,504
Creditors: Amounts falling due after more than one year	*16*	**(26)**		(272)	
Provisions for liabilities and charges	*17*	**(3,084)**		(3,051)	
			(3,110)		(3,323)
Net assets before pension scheme deficit			**128,310**		131,181
Net pension scheme deficit	*18*		**(1,729)**		(1,163)
Net assets			**126,581**		130,018
Capital and reserves					
Called-up share capital	*19*		**1,250**		1,675
Capital redemption reserve	*20*		**425**		-
Revaluation reserve	*21*		**37,775**		37,804
Profit and loss account	*22*		**87,131**		90,539
Total Shareholders' funds			**126,581**		130,018

These financial statements were approved by the board of directors on 28 November 2006 and were signed on its behalf by:

D A G Smith
Director

JP Webster
Director

Cash flow statement
for the 52 week period ended 29 September 2006

	Note	2006 £000	2006 £000	2005 £000	2005 £000
Net cash inflow from operating activities	26		**13,223**		17,837
Returns on investments and servicing of finance					
Income from listed investments		-		23	
Other interest received		**87**		421	
Interest paid		**(86)**		(13)	
Non-equity dividends paid		-		(23)	
			1		408
Taxation					
Corporation tax paid			**(4,303)**		(4,355)
Capital expenditure and financial investment					
Payments to acquire intangible fixed assets		**(267)**		-	
Payments to acquire tangible fixed assets		**(13,740)**		(24,504)	
Receipts from sales of tangible fixed assets		**706**		1,069	
Purchase of own shares for employee share incentive plan		-		(250)	
Receipts from sales of investments		-		3,633	
Receipts from Hansons Limited		**110**		-	
Decrease in loans to customers and others		**36**		35	
Payment to acquire preference shares		**(595)**		-	
Redemption of debentures		**(178)**		-	
			(13,928)		(20,017)
Equity dividends paid			**(4,913)**		(4,788)
(Decrease) in net funds			**(9,920)**		(10,915)
Management of liquid resources					
Decrease in short-term bank deposits			**4,380**		11,629
Cash (outflow)/inflow before financing			**(5,540)**		714
New loans			**5,694**		-
Increase in cash in the period			**154**		714

Reconciliation of net cash flow to movement in net (debt)/funds
for the 52 week period ended 29 September 2006

	Note	2006 £000	2005 £000
Increase in cash in the period		**154**	714
Movement in cash (from) liquid resources	27	**(4,380)**	(11,629)
Cash inflow from new loans	27	**(5,694)**	-
(Decrease) in net funds		**(9,920)**	(10,915)
Net funds at 30 September		**6,009**	16,924
Net (debt)/funds at 29 September		**(3,911)**	6,009

Notes

(Forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

In these financial statements the following new standards have been adopted for the first time:

- FRS 20 'Share-based payments';
- FRS 21 'Events after the balance sheet date';
- the presentation requirements of FRS 25 'Financial instruments: presentation and disclosure'; and
- FRS 28 'Corresponding amounts'.

The recognition and measurement requirements of FRS 17 'Retirement benefits' have also been adopted, previously the transitional disclosures of that standard have been followed.

The accounting policies under these new standards are set out below together with an indication of the effects of their adoption. FRS 28 'Corresponding amounts' has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985.

The corresponding amounts in these financial statements are, other than those covered by the exception permitted by FRS 25, restated in accordance with the new policies. FRS 25 permits the corresponding amounts not to be restated and the Company has adopted this approach.

The effects of the changes in accounting policies on the current and prior period are shown in note 29.

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified by the revaluation of properties and land, and follow the form prescribed by the Companies Act 1985. They are made up to the Friday nearest to 1 October. Periodically, this results in a 53 week financial period.

Sales of properties and investments

Profits and losses on the sale of properties and investments are reflected in the profit and loss account based on the net carrying amount.

Consolidation

In the opinion of the board, the subsidiary undertaking, Hansons Limited, is not material for the purpose of the financial statements giving a true and fair view. Accordingly, consolidated accounts have not been prepared as permitted by section 229 of the Companies Act 1985. These financial statements therefore present information about Hardys & Hansons p.l.c. as an individual entity. Details about Hansons Limited are given in note 12.

Valuations

Surpluses arising from professional valuations of properties that are applied to the financial statements are taken direct to the revaluation reserve. Valuation surpluses realised on sale are transferred to the profit and loss account. Any deficit arising from the professional valuation of properties is taken direct to the revaluation reserve to the extent that such deficit leaves the carrying value above historic cost. Any further diminution in value of an individual property is charged to the profit and loss account.

Intangible fixed assets

The cost of house licences following the introduction of the new Licensing Act is capitalised and depreciated on a straight line basis over a period of 10 years.

Notes *(continued)*

1 Accounting policies *(continued)*

Tangible fixed assets

Prior to the adoption of FRS 15 in the 2000 financial period, properties were revalued on a cyclical basis. Since the adoption of FRS 15, the policy has been not to revalue properties. Consequently, the valuations have not been updated. Other fixed assets are stated at cost.

Tangible fixed assets are written off on a straight-line basis over their estimated useful lives, as follows:

- Freehold land is not depreciated.
- Freehold buildings are depreciated to their estimated residual values over periods up to 50 years.
- Leasehold properties are depreciated to their estimated residual values over the shortest of either 50 years or their estimated useful lives or their remaining lease period.
- Computer equipment is depreciated over 4 to 7 years.
- Retail furniture, fixtures and equipment are depreciated over 4 to 10 years.
- Vehicles are depreciated over 4 to 5 years.
- Manufacturing plant and vessels are depreciated over 10 to 20 years.

The carrying values of tangible fixed assets are reviewed for impairment in accordance with FRS 11 if there are indications that the carrying value may not be fully recoverable. Any impairment in the value of fixed assets below depreciated historical cost is charged to the profit and loss account. Profits and losses on disposal of fixed assets reflect the difference between net selling price and book value at the date of disposal.

Maintenance and improvement of properties

Additions to and major refurbishments of premises are capitalised; minor projects are charged against profits.

Stocks

Stocks are valued as follows:

(a) Raw materials and bought-in goods at cost.

(b) Work-in-progress and finished stocks at the cost of materials, duty (where applicable) and labour and overheads.

Investment in own shares

During the period the company held an investment in its own shares which represented shares held by the Hardys & Hansons Share Incentive Plan Trust, which were recorded at cost as a deduction from shareholders' funds. The costs of administering the fund were charged to the profit and loss account as incurred.

The share incentive plan ceased to exist with effect from 5 September 2006 and the value of shares held in trust was either returned to employees or exchanged for loan notes in Greene King plc.

Deferred taxation

Deferred tax is recognised on all timing differences which have originated, but not reversed, at the balance sheet date, except as otherwise required by FRS 19. Timing differences represent accumulated differences between the company's taxable profit and its financial profit and arise primarily from the difference between accelerated capital allowances and depreciation. Deferred tax liabilities and assets are not discounted.

Notes *(continued)*

1 Accounting policies *(continued)*

LTIP

The long term incentive plan has been accounted for in accordance with FRS 20 'Share based payment' so as to spread the fair value of options granted over the associated performance period.

Pensions

The company operates a contributory defined benefit pension scheme which closed to new members with effect from 1 July 2003. The scheme is funded at rates determined by professionally qualified actuaries every three years. These contributions are invested separately from the company's assets. Contributions are charged against profits so as to spread the cost of providing the expected benefits over the members' anticipated service lives with the company.

The defined benefit pension scheme has been replaced by a defined contribution scheme which is available to new employees joining the company after 1 July 2003. The company charges contributions it makes to the defined contribution scheme to the profit and loss account.

Leases

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease.

Classification of financial instruments issued by the company

Following the adoption of FRS 25, financial instruments issued by the company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Notes *(continued)*

2 Turnover

Turnover represents net sales to outside customers, rents receivable and commission, excluding value added tax. There were no exports during the period. Turnover is attributable to one activity.

3 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year was as follows:

	2006 Number	2005 Number
Management, administration and sales	**77**	83
Production and distribution	**69**	76
Managed houses	**1,883**	1,809
	2,029	1,968

The above totals include 1,732 *(2005: 1,571)* part-time staff, mainly employed at managed houses, who were approximately 934 *(2005: 854)* full-time equivalents.

The aggregate payroll costs of the employees were as follows:

	£000	£000
Wages and salaries	**22,331**	17,366
Social security costs	**1,386**	1,236
Pension schemes	**753**	664
	24,470	19,266

Directors' remuneration

	£000	£000
Emoluments	**2,009**	755
Compensation for loss of office	**429**	-
	2,438	755
	Number	Number
Members of defined benefit pension scheme	**2**	4

The amounts payable in respect of the highest paid director are as follows. Additionally he is a member of the defined benefit pension scheme under which his accrued pension at the year end was £19,000 *(2005: £16,000)*. The highest paid director in 2005 had an accrued pension of £35,000.

	£000	£000
Emoluments	**919**	186

Notes *(continued)*

4 Profit on disposal of fixed assets

	2006 £000	2005 £000
Surplus on sale of properties	**354**	613
Profit on sale of investments	**-**	2,966
	354	3,579

5 *Interest payable*

	2006 £000	2005 £000
On deposits repayable within five years	**7**	5
On debenture stock	**5**	8
Other interest payable	**68**	-
	80	13

6 Profit on ordinary activities before taxation

Profit before taxation is attributable to one activity and is stated after (crediting) or charging the following:

	2006 £000	2005 £000
Income from listed investments	**-**	(23)
Maintenance and refurbishment of properties	**2,334**	2,889
Fees payable to the auditors: as auditors	**48**	50
for other services including taxation	**18**	18
Hire of plant, machinery and motor vehicles	**182**	172
Exceptional staff costs	**3,726**	-
Exceptional other operating costs	**6,937**	-

Exceptional operating and staff costs arose on the acquisition of the company by Greene King plc and the subsequent decision to cease brewing and other activities at the company's head office.

Notes *(continued)*

7 Taxation

	2006	2005
Analysis of charge for the period	**£000**	£000
Current tax:		
Corporation tax based on the profits	**3,086**	4,897
(Over)/under provision in prior period	**(252)**	468
Utilisation of tax losses	**-**	(331)
Total current tax	**2,834**	5,034
Deferred tax:		
Origination and reversal of timing differences	**(115)**	512
Under provision in prior period	**148**	12
Pension scheme charge	**27**	28
Tax on profit on ordinary activities	**2,894**	5,586

	2006	2005
	£000	£000
Factors affecting the tax charge for the period:		
Profit on ordinary activities before taxation	**5,632**	18,434
Corporation tax at standard rate of 30%	**1,690**	5,530
Effects of:		
Expenses not deductible for tax purposes	**1,409**	173
Income from listed investments	**-**	(7)
Depreciation for period in excess of capital allowances	**126**	(373)
Pension accruals	**(12)**	(139)
Pension scheme charge	**(27)**	(28)
Utilisation of tax losses	**-**	(331)
Rollover relief on profit on property disposals	**(100)**	(184)
Indexation allowance on profit on investment disposals	**-**	(75)
Adjustment to tax charge for prior periods	**(252)**	468
Current tax charge for the period	**2,834**	5,034

Factors that may affect future tax charges

No provision has been made for deferred tax on gains recognised on past revaluations of property or on the sale of properties where potentially taxable gains have been rolled over into replacement assets. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. The total amount unprovided for is £3,904,000 *(2005: £3,857,000)*. At present, it is not envisaged that any tax will become payable in the foreseeable future.

Notes *(continued)*

8 Dividends

	2006	2005	2006	2005 As restated
	Pence per share		£000	£000
Non-equity dividends paid or proposed:				
First preference shares	-	5.00	-	11
Second preference shares	-	6.00	-	12
			-	23
Equity dividends paid:				
Ordinary shares interim	**7.60**	7.30	**1,520**	1,460
Ordinary shares final	**12.10**	11.90	**2,420**	2,380
Deferred ordinary shares interim	**7.35**	7.05	**368**	353
Deferred ordinary shares final	**12.10**	11.90	**605**	595
			4,913	4,788

The presentation of dividends has been amended as a prior period adjustment in accordance with FRS 21 : Events after the balance sheet date.

9 Intangible fixed assets

	Licences £000
Cost:	
Additions	267
29 September 2006	267
Accumulated depreciation:	
Charge for period	19
29 September 2006	19
Net book value:	
29 September 2006	**248**

Notes *(continued)*

10 Tangible fixed assets

	Freehold properties £000	Long leasehold properties £000	Short leasehold properties £000	Plant, machinery and motor vehicles £000	Containers and fixtures £000	Total £000
Cost or valuation:						
30 September 2005	113,143	5,212	515	4,449	29,497	152,816
Additions	6,074	1,601	-	361	5,704	13,740
Reclassifications	(135)	135	-	-	-	-
Disposals	(245)			(77)	(343)	(665)
29 September 2006	118,837	6,948	515	4,733	34,858	165,891
At cost	65,842	6,938	515	4,733	34,858	112,886
At valuation 1994	52,995	10	-	-	-	53,005
	118,837	6,948	515	4,733	34,858	165,891
Accumulated depreciation:						
30 September 2005	1,257	408	341	2,491	15,273	19,770
Charge for the period	219	8	21	298	2,950	3,496
Disposals	(6)			(76)	(231)	(313)
Impairments	-	-	-	1,719	1,265	2,984
29 September 2006	1,470	416	362	4,432	19,257	25,937
Net book value:						
29 September 2006	**117,367**	**6,532**	**153**	**301**	**15,601**	**139,954**
30 September 2005	111,886	4,804	174	1,958	14,224	133,046

The comparable amounts determined under historical cost accounting are:

	Freehold properties £000	Long leasehold properties £000	Short leasehold properties £000	Plant, machinery and motor vehicles £000	Containers and fixtures £000	Total £000
Cost	82,174	6,948	515	4,733	34,858	129,228
Depreciation	(948)	(416)	(362)	(4,432)	(19,257)	(25,415)
Net book value:						
29 September 2006	**81,226**	**6,532**	**153**	**301**	**15,601**	**103,813**
30 September 2005	75,763	4,804	174	1,958	14,224	96,923

The 1994 valuation was carried out by Chesterton International p.l.c. The bases of the valuation were, for the public houses and development sites, open market value in accordance with the Statements of Asset Valuations and Guidance Notes of the Royal Institution of Chartered Surveyors. The 1994 valuation disclosed a surplus of £30.9m which was credited to the revaluation reserve.

Notes *(continued)*

11 Investments

	Loans to customers and others £000
Cost 30 September 2005	1,039
Additions	392
Disposals and repayments	(428)
Cost 29 September 2006	**1,003**

12 Related party transactions – Hansons Limited (a wholly owned subsidiary)

	2006 £000	2005 £000
Shares in Hansons Limited at cost	**175**	175
Balance due to Hansons Limited	**(175)**	(65)
	-	110
Nominal value of 4% Irredeemable Debenture Stock held in Hardys & Hansons p.l.c.	**-**	132

The aggregate capital and reserves of Hansons Limited at 29 September 2006 was £175,000 *(2005: £175,000)*, and its profit for the period ended 29 September 2006 was £nil *(2005: £nil)*.

During the period, Hansons Limited received £5,000 gross interest *(2005: £5,000)* on the debenture stock from the Company and an equivalent charge was made. This was the Company's only activity. During the period the debenture stock was redeemed.

13 Stocks

	2006 £000	2005 £000
Raw materials	**78**	105
Consumable stores	**44**	83
Beer in process	**24**	49
Finished products	**1,667**	1,428
	1,813	1,665

Notes *(continued)*

14 Debtors

	2006 £000	2005 £000
Trade debtors	**2,741**	3,234
Other debtors	**263**	562
Prepayments and accrued income	**1,734**	1,747
	4,738	5,543

15 Creditors: amounts falling due within one year

	2006 £000	2005 £000
Trade creditors	**4,636**	5,119
Taxation	**1,168**	2,637
Other taxes and social security costs	**2,214**	1,952
Other creditors	**2,938**	1,710
Amounts owed to parent undertaking	**5,694**	-
Accruals	**1,469**	1,484
Preference dividend	**-**	6
	18,119	12,908

16 Creditors: amounts falling due after more than one year

	2006 £000	2005 £000
4% Irredeemable first mortgage debenture stock secured on certain properties and by a general charge on the undertaking	**-**	200
Other creditors	**26**	72
	26	272

The debenture stock of £200,000 was redeemed at a total cost of £178,000 in the period.

Notes *(continued)*

17 Provisions for liabilities and charges

	2006	2005
	£000	£000
Deferred taxation		
Provided at 30% in respect of:		
Accelerated capital allowances	**3,088**	3,075
Short-term timing differences	**(4)**	(24)
	3,084	3,051
Movement in provision		
Balance 30 September	**3,051**	2,527
(Release)/charge for the period	**(115)**	512
Under provision in prior period	**148**	12
Balance 29 September	**3,084**	3,051

18 *Net pension scheme deficit*

	2006	2005 As restated
	£000	£000
Staff pension scheme deficit	**2,470**	1,662
Deferred tax asset	**(741)**	(499)
	1,729	1,163

19 Share capital

	Authorised		Allotted, called-up and fully paid	
	2006	2005	**2006**	2005
	£000	£000	**£000**	£000
Non-equity capital				
5% First cumulative preference shares of £1 each	-	225	-	225
6% Second cumulative preference shares of £1 each	-	250	-	200
Equity capital				
Ordinary shares of 5p each	**1,000**	1,000	**1,000**	1,000
Deferred ordinary shares of 5p each	**250**	250	**250**	250
	1,250	1,725	**1,250**	1,675

The 5% first cumulative preference shareholders were entitled to a fixed cumulative preferential dividend at that rate and, subject thereto, the 6% second cumulative preference shareholders were entitled to a fixed cumulative preferential dividend at that rate.

After payment of the two cumulative preference dividends above, the profits resolved to be distributed as ordinary dividends in any financial period were applied first in the payment of a non-cumulative 0.25 pence per share to the ordinary shareholders and the balance rateably among the holders of the ordinary and deferred ordinary shares.

In the period interim dividends were paid on the ordinary and deferred ordinary shares. In addition dividends were also paid on the preference shares up to 5 September 2006.

Notes *(continued)*

19 Share capital *(continued)*

The listing of the ordinary shares and preference shares was cancelled with effect from 5 September 2006.

Greene King plc purchased all of the ordinary and deferred ordinary shares on 5 September 2006.

The 5% first cumulative preference shares and 6% second cumulative preference shares were repaid in the period at a premium of £170,000.

20 Capital redemption reserve

	2006 £000	2005 £000
Redemption of preference shares	**425**	-

21 Revaluation reserve

	2006 £000	2006 £000	2005 £000	2005 £000
Balance 30 September 2005		**37,804**		37,996
Profit and loss account: properties sold	-		(162)	
Transfer to profit and loss account	**(29)**		(30)	
		(29)		(192)
		37,775		37,804

22 Profit and loss account

	2006 £000	2005 As restated £000
Balance 30 September 2005	**90,539**	82,722
Retained (loss)/profit for the period	**(2,175)**	8,037
Transfers — Revaluation reserve	**29**	192
Net actuarial loss on pension schemes	**(628)**	(451)
(Charge)/credit in respect of share options granted under long term incentive plan	**(39)**	39
Credit in respect of shares allocated under employee share scheme	-	250
Shares purchased to satisfy allocation under employee share scheme	-	(250)
Premium on redemption of preference shares	**(170)**	-
Redemption of preference shares	**(425)**	-
	87,131	90,539

At the period end the Hardys & Hansons Share Incentive Plan Trust held no ordinary shares *(2005: 37,134)*. The ordinary shares held at 30 September 2005 cost £250,000.

Notes *(continued)*

23 Contingent liabilities and capital commitments

	2006 £000	2005 £000
Capital commitments	-	991

24 Guarantees and other financial commitments

At 29 September 2006 the Company had annual commitments under non-cancellable operating leases as set out below:

	2006 Land and buildings £000	2005 Land and buildings £000
Operating leases which expire:		
In over five years	184	184

25 Pension schemes

The key assumptions used for the valuation for accounting under FRS 17 and the resulting funding level are as follows:

	2006 % p.a.	2005 % p.a.
Inflation	3.0	2.8
Pension in payment increases	2.8	2.5
General pay increases	4.0	3.8
Rate used to discount scheme liabilities	5.1	5.1
Revaluation rate for deferred pensioners	3.0	2.8

Excluding death in service costs and administrative and auditing services, the regular cost is 13.4%.

The assets and liabilities of the scheme were as follows:

	2006 £000	2005 £000
Equities	7,200	7,819
Bonds	3,278	1,771
Property	1,726	1,235
Cash	1,400	1,030
With-profit arrangement	1,842	1,832
Market value of assets	15,446	13,687
Value of accrued liabilities	(17,916)	(15,349)
Scheme liability	(2,470)	(1,662)
Funding level	86%	89%

Notes *(continued)*

25 Pension schemes *(continued)*

The assumed long-term rate of return is:

	2006 % p.a	2005 % p.a
Equities	**8.0**	8.0
Bonds	**5.0**	5.0
Property	**7.0**	7.0
Cash	**4.5**	4.5
With-profit arrangement	**5.5**	5.5

The pension costs have been recognised in accordance with FRS 17. The following components of the pensions charge have been recognised in the profit and loss account and statement of total recognised gains and losses for the period:

	2006		2005	
	£000	**£000**	£000	£000
Analysis of amounts chargeable to profit & loss account:				
Current service cost	**(775)**		(681)	
Less employee contributions	**275**		241	
		(500)		(440)
Financing:				
Expected return on pension scheme assets	**964**		707	
Interest on expected scheme liabilities	**(797)**		(715)	
Net return/(cost)		**167**		(8)
		(333)		(448)

Analysis of amounts recognised in the statement of total recognised gains and losses:

	2006 £000	2005 £000
Actual return less expected return on pension scheme assets	**313**	1,370
Experience (losses)/gains arising on scheme liabilities	**(166)**	262
Changes in assumptions underlying the present value of scheme liabilities	**(1,044)**	(2,277)
Total actuarial (loss) recognised	**(897)**	(645)

The total movement in the company's share of the scheme's deficit during the period is made up as follows:

	2006 £000	2005 £000
Deficit on the scheme at the beginning of the period	**(1,662)**	(1,603)
Movement in period:		
Current service cost	**(775)**	(681)
Contributions	**697**	1,275
Other finance income	**167**	(8)
Actuarial loss recognised above	**(897)**	(645)
Deficit in scheme at the end of the period	**(2,470)**	(1,662)

Notes *(continued)*

25 Pension schemes *(continued)*

The experience gains and losses for the period were as follows:

	2006	2005	2004	2003
Difference between the expected and actual return on scheme assets:	**£000**	£000	£000	£000
Investment gain	**313**	1,370	953	227
Percentage of scheme assets	**2%**	10%	9%	3%
Experience gains and losses on scheme liabilities:				
Experience (loss)/gain	**(166)**	262	(900)	(152)
Percentage of the present value of scheme liabilities	**(1%)**	2%	(7%)	(2%)
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities:				
Amount	**(1,044)**	(2,277)	(2,121)	-
Percentage of scheme liabilities	**(6%)**	(15%)	(18%)	-
Total amount recognised in the statement of total recognised gains and losses:				
Actuarial (loss)/gain	**(897)**	(645)	(2,068)	75
Percentage of the present value of scheme liabilities	**(5%)**	(4%)	(17%)	1%

26 Reconciliation of operating profit to net cash inflow from operating activities

	2006	2005
	£000	£000
Operating profit	**5,104**	14,432
Depreciation and amortisation charge	**3,515**	3,174
Gain on redemption of debenture stock	**(22)**	-
Difference between pension contributions and current service cost	**78**	(102)
(Increase)/decrease in stocks	**(148)**	135
Decrease/(increase) in debtors	**805**	(322)
Increase in creditors	**946**	231
(Credit)/charge in respect of share options granted under the LTIP	**(39)**	39
Charge in respect of shares allocated under the employee share incentive plan	**-**	250
Impairment of tangible fixed assets	**2,984**	-
Net cash inflow from operating activities	**13,223**	17,837

27 Analysis of changes in net (debt)/funds

	30 Sept 05	Cash flows	**29 Sep 06**
	£000	£000	**£000**
Cash in hand, at bank	1,629	154	**1,783**
Short-term bank deposits	4,380	(4,380)	**-**
Loans	-	(5,694)	**(5,694)**
Total	6,009	(9,920)	**(3,911)**

Short-term deposits are included within cash at bank and in hand in the balance sheet.

Notes *(continued)*

28 Derivatives and other financial instruments

The company's principal financial instruments comprise debenture stock, preference shares, fixed asset investments and cash. Short term debtors and creditors have been excluded from the disclosures in this note.

The comparisons by category of book values and fair values of the company's financial liabilities were as follows:

	2006		2005	
	Book value £000	**Fair value £000**	Book value £000	Fair value £000
4% Irredeemable first mortgage debenture stock	-	-	200	147
5% First cumulative preference shares	-	-	225	142
6% Second cumulative preference shares	-	-	200	182
	-	-	625	471

29 Adoption of accounting standards

The 2005 figures have been restated to reflect the adoption of FRS17 and FRS21. The main effects of the restatement are shown below.

	2005 £000
Profit on ordinary activities before taxation as previously stated	18,340
Staff pension scheme adjustments	94
Profit on ordinary activities before taxation as restated	18,434

	2005 £000
Tax on profit on ordinary activities as previously stated	5,558
Deferred tax for staff pension scheme adjustments	28
Tax on profit on ordinary activities as restated	5,586

	2005 £000	£000
Net assets as previously reported		128,156
Deficit on pension scheme under FRS 17	(1,662)	
Related deferred tax asset	499	
Prior year adjustment - reported through the statement of total recognised gains and losses	(1,163)	
Timing of dividend recognition under FRS 21	3,025	
Total prior year adjustment		1,862
		130,018

Notes *(continued)*

30 Related parties

On 5 September 2006, the company was acquired by Greene King plc and this company is now the ultimate parent undertaking.

The company owed Greene King plc £5,694,000 as at 29 September 2006 *(2005: £nil)*.

31 Post balance sheet event

Since the period end, as part of the process of integration into the Greene King Group, the business was sold to a fellow subsidiary, Greene King Brewing and Retailing Limited for £280.7m on 13 November 2006. The company has retained a number of employees which it seconds to the Group.