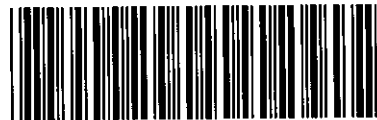


Hardys & Hansons p.l.c.

**Directors' report and financial
statements**

Registered number 00052412
13 November 2006

TUESDAY



AVTKNNTL

A05

13/03/2007

627

COMPANIES HOUSE

Contents

| | |
|---|----|
| Directors and advisors | 1 |
| Directors' report | 2 |
| Statement of directors' responsibilities in respect of the directors' report and the financial statements | 3 |
| Independent auditors' report to the members of Hardys & Hansons plc | 4 |
| Profit and loss account | 5 |
| Statement of total recognised gains and losses | 6 |
| Note of historical cost profits | 6 |
| Reconciliation of movements in total shareholders' funds | 7 |
| Balance sheet | 8 |
| Cash flow statement | 9 |
| Reconciliation of net cash flow to movement in net funds/(debt) | 9 |
| Notes | 10 |

Directors and advisors

Directors J.P. Webster (Resigned 31 January 2007)
D.A.G. Smith (Resigned 30 November 2006)
R. Anand
I. Bull
M. Angela
D. Elliot

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 6 week period ended 13 November 2006.

Principal activities and Business review

The company's principal business activities until 13 November 2006 consisted 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.

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 seconded to the Group. Subsequent to the sale of the business, the company's principal business activity is the provision of employment services.

Operating profit before exceptional items was £1.6m. Profit before tax in the 6 week period was £149.2m compared with £5.6m in year ended 29 September 2006. Profit before tax is reported after charging exceptional items of £1.3m (29 Sep 06: £10.7m), crediting profit on disposal of fixed assets of £nil (29 Sep 06: £0.4m), crediting profit on sale of business of £148.9m (29 Sep 06: £nil) and net interest of £nil (29 Sep 06: £0.2m). Profit before tax after adjusting for these items was £1.6m (29 Sep 06: £15.8m).

Dividends

The company did not pay any dividends in the current period (29 Sep 06: £4.9m).

Directors and their interests

The directors who served during the 6 week period are as set out on page 1. None of the directors had an 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

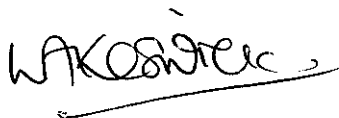
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make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

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.

By order of the board



L Keswick
Company Secretary

1 March 2007

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 year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 6 week period ended 13 November 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 3.

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 13 November 2006 and of its profit for the 6 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
St Nicholas House
Park Row
Nottingham NG1 6FQ
United Kingdom

1 March 2007

*Chartered Accountants
Registered Auditor*

Profit and loss account
for the 6 week period ended 13 November 2006

| | Note | 6 week period ended 13 November 2006 | | Year ended 29 September 2006 | |
|---|------|---|-------------|---------------------------------|-------------|
| | | £000 | £000 | £000 | £000 |
| Turnover | 2 | | 9,501 | | 83,083 |
| Change in stocks of finished goods and work in progress | | | (61) | | 214 |
| | | | <hr/> | | <hr/> |
| | | | 9,440 | | 83,297 |
| Raw materials, consumables and duty | | | (2,811) | | (26,981) |
| | | | <hr/> | | <hr/> |
| | | | 6,629 | | 56,316 |
| <i>Operating costs</i> | | | | | |
| Staff costs | 3 | (3,657) | | (24,470) | |
| Depreciation and amortisation | | (455) | | (3,515) | |
| Other operating costs | 6 | (2,246) | | (23,227) | |
| | | | <hr/> | | <hr/> |
| | | | (6,358) | | (51,212) |
| | | | <hr/> | | <hr/> |
| Operating profit before exceptional items | | 1,571 | | 15,767 | |
| Exceptional items within operating costs | 6 | - | | (10,663) | |
| Exceptional items within staff costs | | (1,300) | | - | |
| | | | <hr/> | | <hr/> |
| Operating profit | | | 271 | | 5,104 |
| Profit on disposal of fixed assets | 4 | | - | | 354 |
| Profit on sale of business | 4 | | 148,912 | | - |
| | | | <hr/> | | <hr/> |
| | | | 149,183 | | 5,458 |
| Other finance income – pension scheme | 25 | - | | 167 | |
| Other interest receivable | | - | | 87 | |
| Interest payable | 5 | (3) | | (80) | |
| | | | <hr/> | | <hr/> |
| | | | (3) | | 174 |
| | | | <hr/> | | <hr/> |
| Profit on ordinary activities before taxation | 6 | | 149,180 | | 5,632 |
| Tax on profit on ordinary activities | 7 | | 21 | | (2,894) |
| | | | <hr/> | | <hr/> |
| Profit on ordinary activities after taxation | | | 149,201 | | 2,738 |
| | | | <hr/> <hr/> | | <hr/> <hr/> |

The results for the 6 weeks of trading are related to the operations of the company, which were discontinued on 13 November 2006 when they were transferred to Greene King Brewing & Retailing Limited.

The company commenced operation as an employment services company on 13 November 2006.

Statement of total recognised gains and losses
for the 6 week period ended 13 November 2006

| | <i>Note</i> | 6 week period ended 13 November 2006 £000 | Year ended 29 September 2006 £000 |
|---|-------------|--|---|
| Profit attributable to equity shareholders | | 149,201 | 2,738 |
| Actuarial loss on the pension scheme | 25 | - | (897) |
| Deferred tax in respect of actuarial loss | | - | 269 |
| | | <hr/> | <hr/> |
| Total gains and losses recognised in the period | | 149,201 | 2,110 |
| | | <hr/> <hr/> | <hr/> <hr/> |

Note of historical cost profits and losses
for the 6 week period ended 13 November 2006

| | <i>Note</i> | 6 week period ended 13 November 2006 £000 | Year ended 29 September 2006 £000 |
|--|-------------|--|---|
| Profit on ordinary activities before taxation | | 149,180 | 5,632 |
| Difference between the historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount | | - | 29 |
| Difference between the historical cost profit on disposal and the actual profit on disposal in the period | | 37,775 | - |
| | | <hr/> | <hr/> |
| Historical cost profit on ordinary activities before taxation | | 186,955 | 5,661 |
| | | <hr/> <hr/> | <hr/> <hr/> |
| Historical cost profit/(loss) for the period retained after taxation and dividends | | 186,976 | (2,146) |
| | | <hr/> <hr/> | <hr/> <hr/> |

Reconciliation of movements in total shareholders' funds
for the 6 week period ended 13 November 2006

| | <i>Note</i> | 6 week period ended 13 November 2006 £000 | Year ended 29 September 2006 £000 |
|--|-------------|--|---|
| Profit on ordinary activities after taxation | | 149,201 | 2,738 |
| Equity dividends | 8 | - | (4,913) |
| | | <hr/> | <hr/> |
| Retained profit/ (loss) for the period | | 149,201 | (2,175) |
| Charge in respect of share options granted under long term incentive plan | | - | (39) |
| Net actuarial loss on the pension | | - | (628) |
| Redemption of preference shares | 19 | - | (425) |
| Premium on redemption of preference shares | 19 | - | (170) |
| | | <hr/> | <hr/> |
| Net addition to/(reduction in) shareholders' funds | | 149,201 | (3,437) |
| Opening shareholders' funds | | 126,581 | 130,018 |
| | | <hr/> | <hr/> |
| Closing shareholders' funds | | 275,782 | 126,581 |
| | | <hr/> <hr/> | <hr/> <hr/> |

Balance sheet
as at 13 November 2006

| | <i>Note</i> | 13 November 2006 | | 29 September 2006 | |
|--|-------------|-------------------------|----------------|-------------------|---------|
| | | £000 | £000 | £000 | £000 |
| Fixed assets | | | | | |
| Intangible assets | 9 | - | - | - | 248 |
| Tangible assets | 10 | - | - | - | 139,954 |
| Investments | 11 | - | - | - | 1,003 |
| Shares in Hansons Limited less amounts due | 12 | - | - | - | - |
| | | | | | |
| | | | - | | 141,205 |
| Current assets | | | | | |
| Stocks | 13 | - | - | 1,813 | |
| Debtors | 14 | 280,700 | - | 4,738 | |
| Cash at bank and in hand | | - | - | 1,783 | |
| | | | | | |
| | | 280,700 | - | 8,334 | |
| Creditors: Amounts falling due within one year | 15 | (4,918) | - | (18,119) | |
| | | | | | |
| Net current assets/(liabilities) | | | 275,782 | | (9,785) |
| | | | | | |
| Total assets less current liabilities | | | 275,782 | | 131,420 |
| Creditors: Amounts falling due after more than one year | 16 | - | - | (26) | |
| Provisions for liabilities and charges | 17 | - | - | (3,084) | |
| | | | | | |
| | | | - | | (3,110) |
| | | | | | |
| Net assets before pension scheme deficit | | | 275,782 | | 128,310 |
| Net pension scheme deficit | 18 | - | - | - | (1,729) |
| | | | | | |
| Net assets | | | 275,782 | | 126,581 |
| | | | | | |
| Capital and reserves | | | | | |
| Called-up share capital | 19 | 1,250 | - | - | 1,250 |
| Capital redemption reserve | 20 | 425 | - | - | 425 |
| Revaluation reserve | 21 | - | - | - | 37,775 |
| Profit and loss account | 22 | 274,107 | - | - | 87,131 |
| | | | | | |
| Total Shareholders' funds | | | 275,782 | | 126,581 |
| | | | | | |

These financial statements were approved by the board of directors on 1 March 2007 and were signed on its behalf by:



I Bull
 Director

Cash flow statement
for the 6 week period ended 13 November 2006

| | <i>Note</i> | 6 week period ended 13 November 2006 | | Year ended 29 September 2006 | |
|--|-------------|---|-------------|---------------------------------|----------|
| | | £000 | £000 | £000 | £000 |
| Net cash inflow from operating activities | 26 | | 2,335 | | 13,223 |
| Returns on investments and servicing of finance | | | | | |
| Other interest received | | - | | 87 | |
| Interest paid | | (3) | | (86) | |
| | | | (3) | | 1 |
| Taxation | | | | | |
| Corporation tax paid | | | (647) | | (4,303) |
| Capital expenditure and financial investment | | | | | |
| Payments to acquire intangible fixed assets | | - | | (267) | |
| Payments to acquire tangible fixed assets | | (589) | | (13,740) | |
| Receipts from sales of tangible fixed assets | | 32 | | 706 | |
| Receipts from Hansons Limited | | - | | 110 | |
| Decrease in loans to customers and others | | 62 | | 36 | |
| Payment to acquire preference shares | | - | | (595) | |
| Redemption of debentures | | - | | (178) | |
| | | | (495) | | (13,928) |
| Equity dividends paid | | | - | | (4,913) |
| Increase/(decrease) in net funds | | | 1,190 | | (9,920) |
| Management of liquid resources | | | | | |
| Decrease in short-term bank deposits | | | - | | 4,380 |
| Cash inflow/(outflow) before financing | | | 1,190 | | (5,540) |
| New loans | | | - | | 5,694 |
| Repayment of loans | | | (1,250) | | - |
| (Decrease)/increase in cash in the period | | | (60) | | 154 |

Reconciliation of net cash flow to movement in net funds/(debt)
for the 6 week period ended 13 November 2006

| | <i>Note</i> | 6 week period ended 13 November 2006 | | Year ended 29 September 2006 | |
|---|-------------|---|-------------|---------------------------------|---------|
| | | £000 | £000 | £000 | £000 |
| (Decrease)/increase in cash in the period | 27 | | (60) | | 154 |
| Movement in cash from liquid resources | | | - | | (4,380) |
| Cash inflow from new loans | 27 | | - | | (5,694) |
| Cash outflow from repayment of loans | | | 1,250 | | - |
| Cash disposed of on sale of business | 27 | | (1,723) | | - |
| Inter company debt receivable on sale of business | | | 280,700 | | - |
| Increase/(decrease) in net funds | | | 280,167 | | (9,920) |
| Opening net (debt)/funds | | | (3,911) | | 6,009 |
| Closing net funds/(debt) | | | 276,256 | | (3,911) |

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.

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.

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 financial statements 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.

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 period was as follows:

| | 6 weeks to 13 Nov 06 Number | Year ended 29 Sep 06 Number |
|--------------------------------------|--|--|
| Management, administration and sales | 75 | 77 |
| Production and distribution | 70 | 69 |
| Managed houses | 1,884 | 1,883 |
| | 2,029 | 2,029 |
| | 2,029 | 2,029 |

The above totals include 1,732 (29 Sep 06: 1,732) part-time staff, mainly employed at managed houses, who were approximately 934 (29 Sep 06: 934) full-time equivalents.

The aggregate payroll costs of the employees were as follows:

| | £000 | £000 |
|-----------------------|-------------|-------------|
| Wages and salaries | 3,431 | 22,331 |
| Social security costs | 140 | 1,386 |
| Pension schemes | 86 | 753 |
| | 3,657 | 24,470 |
| | 3,657 | 24,470 |

Notes *(continued)*

3 Staff numbers and costs *(continued)*

Directors' remuneration

| | 6 weeks to 13 Nov 06 £000 | Year ended 29 Sep 06 £000 |
|---|--|--|
| Emoluments | - | 2,009 |
| Compensation for loss of office | - | 429 |
| | - | 2,438 |
| | - | 2,438 |
| | Number | Number |
| Members of defined benefit pension scheme | - | 2 |
| | - | 2 |

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 period end was £nil (29 Sep 06: £19,000).

| | £000 | £000 |
|------------|-------------|-------------|
| Emoluments | - | 919 |
| | - | 919 |

4 Profit on disposal

On 13 November 2006, the company sold the properties and business to a fellow subsidiary of Greene King plc, Greene King Brewing & Retailing Limited, for £280.7m. The profit arising on the disposal was £148.9m.

| | 6 weeks to 13 Nov 06 £000 | Year ended 29 Sep 06 £000 |
|---|--|--|
| <i>Profit on sale of business</i> | | |
| Consideration received | 280,700 | - |
| | 280,700 | - |
| Intangible fixed assets | 245 | - |
| Tangible fixed assets | 140,059 | - |
| Investments | 941 | - |
| Deferred tax | (3,110) | - |
| Net pension scheme deficit | (1,729) | - |
| Working capital | (4,618) | - |
| | 131,788 | - |
| Net assets disposed of | 131,788 | - |
| | 131,788 | - |
| Profit on sale of business | 148,912 | - |
| | 148,912 | - |
| <i>Profit on disposal of fixed assets</i> | | |
| Surplus on sale of properties | - | 354 |
| | - | 354 |

Notes *(continued)*

5 Interest payable

| | 6 weeks to 13 Nov 06 £000 | Year ended 29 Sep 06 £000 |
|---|--|--|
| On deposits repayable within five years | - | 7 |
| On debenture stock | - | 5 |
| Other interest payable | 3 | 68 |
| | <hr/> | <hr/> |
| | 3 | 80 |
| | <hr/> <hr/> | <hr/> <hr/> |

6 Profit on ordinary activities before taxation

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

| | 6 weeks to 13 Nov 06 £000 | Year ended 29 Sep 06 £000 |
|---|--|--|
| Maintenance and refurbishment of properties | 336 | 2,334 |
| Fees payable to the auditors: as auditors | 10 | 48 |
| for other services including taxation | - | 18 |
| Hire of plant, machinery and motor vehicles | 15 | 182 |
| Exceptional staff costs | 1,300 | 3,726 |
| Exceptional other operating costs | - | 6,937 |
| | <hr/> <hr/> | <hr/> <hr/> |

Exceptional operating and staff costs arose on the acquisition of the company by Greene King Acquisitions (No. 3) Limited and the subsequent decision to cease brewing and other activities at the company's head office.

7 Taxation

| | 6 weeks to 13 Nov 06 £000 | Year ended 29 Sep 06 £000 |
|--|--|--|
| Analysis of charge for the period | | |
| Current tax: | | |
| Corporation tax based on the profits | 64 | 3,086 |
| Over provision in prior period | (111) | (252) |
| | <hr/> | <hr/> |
| Total current tax | (47) | 2,834 |
| Deferred tax: | | |
| Origination and reversal of timing differences | 39 | (115) |
| (Over)/under provision in prior period | (13) | 148 |
| Pension scheme charge | - | 27 |
| | <hr/> | <hr/> |
| Tax on profit on ordinary activities | (21) | 2,894 |
| | <hr/> <hr/> | <hr/> <hr/> |

Notes (continued)

7 Taxation (continued)

| | 6 weeks to 13 Nov 06 £000 | Year ended 29 Sep 06 £000 |
|---|--|--|
| Factors affecting the tax charge for the period: | | |
| Profit on ordinary activities before taxation | 149,180 | 5,632 |
| | <hr/> | <hr/> |
| Corporation tax at standard rate of 30% | 44,754 | 1,690 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 22 | 1,409 |
| Depreciation for period in excess of capital allowances | 39 | 126 |
| Other timing differences | (77) | - |
| Non-taxable income | (44,674) | - |
| Pension accruals | - | (12) |
| Pension scheme charge | - | (27) |
| Rollover relief on profit on property disposals | - | (100) |
| Adjustment to tax charge for prior periods | (111) | (252) |
| | <hr/> | <hr/> |
| Current tax charge for the period | (47) | 2,834 |
| | <hr/> | <hr/> |

Factors that may affect future tax charges

No provision was 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 at 29 September 2006 was £3,904,000. During the current period these assets have been sold to a fellow subsidiary of Greene King plc and therefore no unprovided deferred tax remains.

8 Dividends

| | 6 weeks to 13 Nov 06 | Year ended 29 Sep 06 Pence per share | 6 weeks to 13 Nov 06 £000 | Year ended 29 Sep 06 £000 |
|----------------------------------|---------------------------------|---|--|--|
| Equity dividends paid: | | | | |
| Ordinary shares interim | - | 7.60 | - | 1,520 |
| Ordinary shares final | - | 12.10 | - | 2,420 |
| Deferred ordinary shares interim | - | 7.35 | - | 368 |
| Deferred ordinary shares final | - | 12.10 | - | 605 |
| | | | <hr/> | <hr/> |
| | | | - | 4,913 |
| | | | <hr/> | <hr/> |

Notes (continued)

9 Intangible fixed assets

| | Licences £000 |
|---|--------------------------|
| <i>Cost:</i> | |
| At 29 September 2006 | 267 |
| Disposal to a fellow subsidiary of Greene King plc (note 4) | (267) |
| | - |
| At 13 November 2006 | - |
| | - |
| <i>Accumulated depreciation:</i> | |
| At 29 September 2006 | 19 |
| Charge for period | 3 |
| Disposal to a fellow subsidiary of Greene King plc (note 4) | (22) |
| | - |
| At 13 November 2006 | - |
| | - |
| <i>Net book value:</i> | |
| At 13 November 2006 | - |
| | - |
| At 29 September 2006 | 248 |

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 |
|--|---|---|--|---|---|-----------------------|
| <i>Cost or valuation:</i> | | | | | | |
| At 29 September 2006 | 118,837 | 6,948 | 515 | 4,733 | 34,858 | 165,891 |
| Additions | 189 | 23 | - | 10 | 367 | 589 |
| Disposals | - | - | - | - | (290) | (290) |
| Disposal to a fellow subsidiary of Greene King plc (note 4) | (119,026) | (6,971) | (515) | (4,743) | (34,935) | (166,190) |
| | - | - | - | - | - | - |
| At 13 November 2006 | - | - | - | - | - | - |
| | - | - | - | - | - | - |
| <i>Accumulated depreciation:</i> | | | | | | |
| At 29 September 2006 | 1,470 | 416 | 362 | 4,432 | 19,257 | 25,937 |
| Charge for the period | 30 | 1 | 2 | 15 | 404 | 452 |
| Disposals | - | - | - | - | (258) | (258) |
| Disposal to a fellow subsidiary of Greene King plc (note 4) | (1,500) | (417) | (364) | (4,447) | (19,403) | (26,131) |
| | - | - | - | - | - | - |
| At 13 November 2006 | - | - | - | - | - | - |
| | - | - | - | - | - | - |
| <i>Net book value:</i> | | | | | | |
| At 13 November 2006 | - | - | - | - | - | - |
| | - | - | - | - | - | - |
| At 29 September 2006 | 117,367 | 6,532 | 153 | 301 | 15,601 | 139,954 |

Notes (continued)

10 Tangible fixed assets (continued)

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 |
|-----------------------------|--------------------------------|---|--|--|---------------------------------------|---------------|
| <i>Net book value:</i> | | | | | | |
| At 13 November 2006 | - | - | - | - | - | - |
| At 29 September 2006 | 81,226 | 6,532 | 153 | 301 | 15,601 | 103,813 |

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.

11 Investments

| | Loans to customers and others £000 |
|--|---|
| Cost 29 September 2006 | 1,003 |
| Additions | 10 |
| Disposals and repayments | (72) |
| Disposals to a fellow subsidiary of Greene King plc (note 4) | (941) |
| At 13 November 2006 | - |

12 Related party transactions

Hansons Limited (a wholly owned subsidiary)

| | 13 Nov 06 £000 | 29 Sep 06 £000 |
|---|-------------------|-------------------|
| Shares in Hansons Limited at cost | 175 | 175 |
| Balance due to Hansons Limited | (175) | (175) |
| | - | - |
| Nominal value of 4% Irredeemable Debenture Stock held in Hardys & Hansons p.l.c. | - | 132 |

The aggregate capital and reserves of Hansons Limited at 13 November 2006 was £175,000 (29 Sep 06: £175,000), and its profit for the period ended 13 November 2006 was £nil (29 Sep 06: £nil).

Notes (continued)

12 Related party transactions (continued)

Trading transactions

During the period the company entered into the following transactions:

| Related party | Sales of goods | | Purchases of goods | | Amounts owed by/(to) related parties | |
|---|-------------------|-------------------|--------------------|-------------------|--------------------------------------|-------------------|
| | 13 Nov 06 £000 | 29 Sep 06 £000 | 13 Nov 06 £000 | 29 Sep 06 £000 | 13 Nov 06 £000 | 29 Sep 06 £000 |
| Greene King Brewing & Retailing Limited | 86.2 | 5.3 | (48.2) | - | 280,700 | - |
| Greene King plc | - | - | - | - | (4,444) | (5,694) |

Sales of goods to Greene King Brewing & Retailing were made at the company's usual list price less discount. Purchases were made at market price.

The amounts outstanding are unsecured and will be settled in cash.

13 Stocks

| | 13 Nov 06 £000 | 29 Sep 06 £000 |
|-------------------|-------------------|-------------------|
| Raw materials | - | 78 |
| Consumable stores | - | 44 |
| Beer in process | - | 24 |
| Finished products | - | 1,667 |
| | - | 1,813 |
| | - | 1,813 |

14 Debtors

| | 13 Nov 06 £000 | 29 Sep 06 £000 |
|---|-------------------|-------------------|
| Trade debtors | - | 2,741 |
| Amounts due from a fellow subsidiary company of Greene King plc | 280,700 | - |
| Other debtors | - | 263 |
| Prepayments and accrued income | - | 1,734 |
| | 280,700 | 4,738 |
| | 280,700 | 4,738 |

Notes (continued)

15 Creditors: amounts falling due within one year

| | 13 Nov 06 £000 | 29 Sep 06 £000 |
|---------------------------------------|-------------------|-------------------|
| Trade creditors | - | 4,636 |
| Taxation | 474 | 1,168 |
| Other taxes and social security costs | - | 2,214 |
| Other creditors | - | 2,938 |
| Amounts owed to Greene King plc | 4,444 | 5,694 |
| Accruals | - | 1,469 |
| | 4,918 | 18,119 |
| | 4,918 | 18,119 |

16 Creditors: amounts falling due after more than one year

| | 13 Nov 06 £000 | 29 Sep 06 £000 |
|-----------------|-------------------|-------------------|
| Other creditors | - | 26 |
| | - | 26 |
| | - | 26 |

17 Provisions for liabilities and charges

| | 13 Nov 06 £000 | 29 Sep 06 £000 |
|---|-------------------|-------------------|
| Deferred taxation | | |
| Provided at 30% in respect of: | | |
| Accelerated capital allowances | - | 3,088 |
| Short-term timing differences | - | (4) |
| | - | 3,084 |
| | - | 3,084 |
| Movement in provision | | |
| Opening balance | 3,084 | 3,051 |
| Charge/(release) for the period | 39 | (115) |
| (Over)/under provision in prior period | (13) | 148 |
| Disposed to a fellow subsidiary of Greene King plc (note 4) | (3,110) | - |
| | - | 3,084 |
| | - | 3,084 |
| Closing balance | - | 3,084 |

Notes *(continued)*

18 Net pension scheme deficit

| | 13 Nov 06 | 29 Sep 06 |
|------------------------------|------------------|------------------|
| | £000 | £000 |
| Staff pension scheme deficit | - | 2,470 |
| Deferred tax asset | - | (741) |
| | - | 1,729 |
| | - | 1,729 |

The pension scheme deficit was disposed of as part of the sale of the business. The net deficit at the date of disposal was £1.7m.

19 Share capital

| | Authorised | | Allotted, called-up and fully paid | |
|-------------------------------------|-------------------|------------------|---|------------------|
| | 13 Nov 06 | 29 Sep 06 | 13 Nov 06 | 29 Sep 06 |
| | £000 | £000 | £000 | £000 |
| 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 | 1,250 | 1,250 | 1,250 |
| | 1,250 | 1,250 | 1,250 | 1,250 |

The 5% first cumulative preference shares and 6% second cumulative preference shares were repaid in the prior period for £595,000, representing a premium of £170,000 on their par value of £425,000.

20 Capital redemption reserve

| | 13 Nov 06 | 29 Sep 06 |
|---------------------------------|------------------|------------------|
| | £000 | £000 |
| Redemption of preference shares | 425 | 425 |
| | 425 | 425 |
| | 425 | 425 |

21 Revaluation reserve

| | 13 Nov 06 | 29 Sep 06 |
|-------------------------------------|------------------|------------------|
| | £000 | £000 |
| Opening balance | 37,775 | 37,804 |
| Transfer to profit and loss account | (37,775) | (29) |
| | - | 37,775 |
| Closing balance | - | 37,775 |

Notes *(continued)*

22 Profit and loss account

| | 13 Nov 06 £000 | 29 Sep 06 £000 |
|---|-------------------|-------------------|
| Opening balance | 87,131 | 90,539 |
| Retained profit/(accumulated loss) for the period | 149,201 | (2,175) |
| Transfers from revaluation reserve | 37,775 | 29 |
| Net actuarial loss on pension schemes | - | (628) |
| Charge in respect of share options granted under long term incentive plan | - | (39) |
| Premium on redemption of preference shares | - | (170) |
| Redemption of preference shares | - | (425) |
| | 274,107 | 87,131 |
| Closing balance | 274,107 | 87,131 |

23 Contingent liability

Pension scheme contingent liability

As explained in note 4, under the terms of the 'Business Transfer Agreement' between this company and Greene King Brewing & Retailing Limited, the company transferred its net pension deficit of £1,729,000 to Greene King Brewing & Retailing Limited. Hardys & Hansons plc remains the sponsoring employer of the pension scheme.

Under the terms of the secondment agreement, whereby employees are seconded to Greene King Brewing & Retailing Limited, the net deficit and future funding will ultimately be met by that company. The directors consider the risk of Greene King Brewing & Retailing Limited being unable to meet the deficit as improbable, and have therefore not provided for this liability.

24 Guarantees and other financial commitments

At 13 November 2006 the Company had annual commitments under non-cancellable operating leases as set out below:

| | 13 Nov 06 Land and buildings £000 | 29 Sep 06 Land and buildings £000 |
|---------------------------------------|--|--|
| <i>Operating leases which expire:</i> | | |
| In over five years | - | 184 |
| | - | 184 |

25 Pension schemes

As explained in note 18, the pension scheme deficit was disposed of during the period. The key assumptions used for the valuation for accounting under FRS 17 and the resulting funding during the previous period were as follows:

| | 29 Sep 06 % p.a. |
|--|---------------------|
| Inflation | 3.0 |
| Pension in payment increases | 2.8 |
| General pay increases | 4.0 |
| Rate used to discount scheme liabilities | 5.1 |
| Revaluation rate for deferred pensioners | 3.0 |
| | 3.0 |

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

Notes (continued)

25 Pension schemes (continued)

The assets and liabilities of the scheme were as follows:

| | 29 Sep 06 £000 |
|------------------------------|-------------------|
| Equities | 7,200 |
| Bonds | 3,278 |
| Property | 1,726 |
| Cash | 1,400 |
| With-profit arrangement | 1,842 |
| | 15,446 |
| Market value of assets | 15,446 |
| Value of accrued liabilities | (17,916) |
| | (2,470) |
| Scheme liability | (2,470) |
| | 86% |
| Funding level | 86% |

The assumed long-term rate of return is:

| | 29 Sep 06 % p.a |
|-------------------------|--------------------|
| Equities | 8.0 |
| Bonds | 5.0 |
| Property | 7.0 |
| Cash | 4.5 |
| With-profit arrangement | 5.5 |

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

| | 29 September 2006 | |
|---|-------------------|-------|
| | £000 | £000 |
| Analysis of amounts chargeable to profit & loss account: | | |
| Current service cost | (775) | |
| Less employee contributions | 275 | |
| | (500) | (500) |
| Financing: | | |
| Expected return on pension scheme assets | 964 | |
| Interest on expected scheme liabilities | (797) | |
| | 167 | 167 |
| Net return/(cost) | | (333) |

Notes (continued)

25 Pension schemes (continued)

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

| | 29 Sep 06 £000 |
|---|-------------------|
| Actual return less expected return on pension scheme assets | 313 |
| Experience losses arising on scheme liabilities | (166) |
| Changes in assumptions underlying the present value of scheme liabilities | (1,044) |
| | (897) |
| Total actuarial loss recognised | (897) |

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

| | 13 Nov 06 £000 | 29 Sep 06 £000 |
|--|-------------------|-------------------|
| Deficit on the scheme at the beginning of the period | (2,470) | (1,662) |
| Movement in period: | | |
| Current service cost | - | (775) |
| Contributions | - | 697 |
| Other finance income | - | 167 |
| Actuarial loss recognised above | - | (897) |
| | (2,470) | (2,470) |
| Transferred to a fellow subsidiary of Greene King plc (note 4) | 2,470 | - |
| | - | (2,470) |
| Deficit in company at end of period | - | (2,470) |

There were no experience gains and losses during the period. The experience gains and losses for the previous periods were as follows:

| | 29 Sep 06 £000 | 2005 £000 | 2004 £000 |
|--|-------------------|--------------|--------------|
| <i>Difference between the expected and actual return on scheme assets:</i> | | | |
| Investment gain | 313 | 1,370 | 953 |
| Percentage of scheme assets | 2% | 10% | 9% |
| <i>Experience gains and losses on scheme liabilities:</i> | | | |
| Experience (loss)/gain | (166) | 262 | (900) |
| Percentage of the present value of scheme liabilities | (1%) | 2% | (7%) |
| <i>Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities:</i> | | | |
| Amount | (1,044) | (2,277) | (2,121) |
| Percentage of scheme liabilities | (6%) | (15%) | (18%) |
| | (645) | (2,068) | 75 |
| <i>Total amount recognised in the statement of total recognised gains and losses:</i> | | | |
| Actuarial (loss)/gain | (645) | (2,068) | 75 |
| Percentage of the present value of scheme liabilities | (4%) | (17%) | 1% |
| | (645) | (2,068) | 75 |

Notes (continued)

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

| | 13 Nov 06 £000 | 29 Sep 06 £000 |
|---|-------------------|-------------------|
| Operating profit | 271 | 5,104 |
| Depreciation and amortisation charge | 455 | 3,515 |
| Gain on redemption of debenture stock | - | (22) |
| Difference between pension contributions and current service cost | - | 78 |
| Decrease/(increase) in stocks | 214 | (148) |
| (Increase)/decrease in debtors | (715) | 805 |
| Increase in creditors | 2,110 | 946 |
| Impairment of tangible fixed assets | - | 2,984 |
| Charge in respect of share options granted under the LTIP | - | (39) |
| | 2,335 | 13,223 |
| Net cash inflow from operating activities | 2,335 | 13,223 |

27 Analysis of changes in net (debt)/funds

| | 29 Sept 06 £000 | Cash flows £000 | Disposal £000 | 13 Nov 06 £000 |
|-----------------------|--------------------|--------------------|------------------|-------------------|
| Cash in hand, at bank | 1,783 | (60) | (1,723) | - |
| Loans | (5,694) | 1,250 | - | (4,444) |
| Inter-company debt | - | - | 280,700 | 280,700 |
| | (3,911) | 1,190 | 278,977 | 276,256 |
| Total | (3,911) | 1,190 | 278,977 | 276,256 |

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

28 Related parties

On 5 September 2006, the company was acquired by Greene King Acquisitions (No. 3) Limited and this company is now the immediate parent company. The ultimate parent company is Greene King plc, a company incorporated in Great Britain and registered in England and Wales.

Transactions and balances outstanding with related parties are detailed in Notes 12, 14 and 15.