

**GREENE KING PLC****Preliminary results for the 52 weeks ended 29 April 2007****RECORD RESULTS  
GROWTH ACROSS ALL DIVISIONS  
£130M SHARE BUY-BACK PROGRAMME****Financial Highlights**

- Revenue £917.5m, +12%
- Operating profit\* £218.1m, +14%
- Operating profit margin\* 23.8%, +0.5 %pts
- Profit before tax\* £139.8 m, +17%
- Adjusted earnings per share\* 64.8p, +16%
- Dividends per share 22.9p, +14%
- Increased capital structure efficiency

**Business Highlights**

- Pub Company like-for-like sales up 3.4%
- Pub Partners operating profit per pub up 6%; like-for-like sales up 1.7%
- Brewing Company operating profit up 12%; own-brewed volume up 2.1%
- Belhaven operating profit up 4%\*\*; managed house food sales up over 25%
- Hardys & Hansons integration complete and synergy capture on track
- Estate average quality further improved through disposals
- Well-positioned for smoking ban

\* before exceptional items    \*\* prior year on pro-forma basis

Rooney Anand, Greene King chief executive, comments:

"These record results are another step in over four decades of uninterrupted profit growth. I am particularly pleased that they were achieved by strong performances in all our divisions combined with the benefits from effectively integrated acquisitions.

Our unique experience across the whole of the Scottish pub and beer industry has stood us in good stead for the English smoking ban. We are well prepared and in a good position to grasp the opportunities afforded by the ban by broadening the appeal of our pubs.

We are today also announcing plans to release significant additional funds from further increasing the efficiency of our balance sheet; and to unlock substantial extra value from our quality property estate. These steps, along with the intrinsic quality of our assets, brands and people, and the benefit of recent acquisitions, combined with a good start to the current year, underpin our confidence in the future."

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A copy of the results presentation is available on our website: [www.greeneking.co.uk](http://www.greeneking.co.uk).

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Greene King plc

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# GREENE KING PLC

Preliminary results for the 52 weeks ended 29 April 2007

## Chairman's Statement

### Results

It is my welcome task to report a very good set of figures for the 52 weeks to 29 April 2007. The results this year include a first time contribution of 34 weeks from Hardys & Hansons, which we acquired in September 2006, and a full year from Belhaven, which includes 22 weeks of non-comparable trading. All profit figures in this statement are shown before exceptional items.

Our revenue for the year increased by 12% to £917.5m and operating profit by 14% to £218.1m. We therefore raised our profit margin once again and it now stands at 23.8%. I am particularly pleased that all four of our trading divisions produced profit figures which were ahead of last year's, as this underlines the strength we draw from our business model.

Profit before tax and exceptional items increased by 17% to £139.8m and our earnings per share by 16% to 64.8p. This is the thirteenth successive year in which we have delivered compound annual growth in earnings per share of 10 per cent or more.

### Dividend

The board has taken the decision to increase the total dividend for the year by 14% which will help to raise the yield for shareholders. We recommend a final dividend payment of 16.45p which will produce a total dividend of 22.9p for the year. If approved, the final dividend will be paid on 10 September to those shareholders on the register at the close of business on 3 August.

### Acquisition

We acquired Hardys & Hansons plc on 5 September last year. They had a long history as an integrated brewer and pub company, based at Kimberley in Nottinghamshire, and their assets included 268 pubs, of which 83 were run under management and 185 as tenancies or leaseholds. Many Hardys & Hansons people have joined our business, and have been welcomed to contribute towards our future success, and the properties have now been fully integrated into our estate.

### Disposal

As part of the continual process of wanting to improve the quality of our trading assets, we have sold 191 pubs during the year. This included one particular package of 155 properties, which were widely spread across our trading area and raised £56.5m.

### The board

We have two new members of the board this year. Ian Durant joined us as a non-executive director in March and has become a member of our audit committee. He formerly served as finance director for two different listed companies in the Jardine Matheson group and was more recently chief financial officer of Sea Containers Ltd. We look forward to benefiting greatly from his broad property, retail and financial experience.

In April we appointed Jonathan Lawson as managing director of our local pubs division. This followed our decision to split Pub Company into two specialist divisions, to provide more focus to the business and to allow the potential further expansion of our managed estate without prejudicing our flat line management structure. Jonathan was retail operations director of Sainsbury's convenience stores and will, we believe, bring a valuable fresh perspective to running our local pubs.

These two arrivals followed two departures. I thanked Alan Bowkett for his service as a non-executive director in last year's report and he left after the AGM. I would now like to do the same for Mark Angela, who was managing director of Pub Company until leaving us in April this year. Mark was with us for just over three years, during which time our managed estate expanded greatly, particularly through the acquisition of the Laurel pubs in 2004. I would like to thank him for his contribution to the continued success of our Pub Company during his time with us.

## **People**

Our business is all about people and we have a huge number of very good people. Some have worked for the company for many years and some have joined in the last year, but everyone's efforts towards the well-being and success of Greene King are fully appreciated and crucial to our future. I would like to thank all of our people for being part of a proud and determined team.

Tim Bridge  
Chairman  
2 July 2007

## Chief Executive's Review

Once again, Greene King's results for the financial year 2006/7 show strong growth right across our businesses. Revenue was up 12%, operating profit up 14% and profit before tax up 17%. As throughout this document, the profit figures are shown before exceptional items. This result has delivered adjusted earnings per share up 16% to 64.8p, and has allowed the board to recommend a full-year dividend up 14% to 22.9p.

We have thus continued our run of uninterrupted earnings growth, which has spanned over four decades.

We aim to achieve sustainable, consistent growth in organic sales, and in the value of our assets, augmented by appropriate acquisitions at the right price. We focus on the efficiency of our operations, and our success in this area allows us both to reinvest in the business and to continue to grow margins.

We strive continually to evolve our offer to meet customers' ever-growing demands. Our focus is always on our customers, and our approach is built on developing and leveraging our key assets to meet their expectations: a high-quality estate, first-rate people, and strong brands and trading formats.

With our largely freehold estate, we focus primarily on suburban and community sites rather than the more volatile high street. We will continue to evaluate appropriate acquisition opportunities and attractive individual sites. Actively managing our property portfolio is central to our business. As well as expanding the estate, we churn regularly to uphold and improve the average standard. Having both managed and tenanted/leased divisions means we can also transfer sites both ways between these business models, to optimise their individual potential.

We place great value on recruiting the best pub managers and area managers, and on developing long-term partnerships with tenants and lessees. It was a particular pleasure this year that in the Association of Licensed Multiple Retailers' area management awards, Greene King managers were the winners in both the managed and tenanted/leased classes. The team, from the board down, features a blend of talents and diverse career backgrounds, which combine to make a formidable force in the market.

The Greene King brand is a powerful asset, both with consumers and in the trade – representing all that is good not only in real ale, but also in the great British pub. This year, we demonstrated our commitment to it by taking our brand onto prime time television, with our 'Sign of a Great Pub' sponsorship of ITV1's *Ant & Dec's Saturday Night Takeaway*. We have long believed that there is a vital role both for branded outlets, such as our Hungry Horse family value pubs; and a diverse set of individual locals. At the end of the financial year we formalised this distinction, and better positioned both strands for further growth, by creating two new divisions from our managed estate: Destination Pubs and Local Pubs.

We are heavy investors in advertising and other brand marketing. This, alongside our rigorous quality standards, enables us to ensure that our ale brands continue to trade at a premium to the market.

## Pub Company

<i>52 weeks</i>	05/06	<b>06/07</b>	Change
Average number of pubs trading	784	<b>781</b>	--
Revenue	£516.5m	<b>£546.0m</b>	+6%
EBITDA	£128.2m	<b>£138.0m</b>	+8%
Operating profit	£102.1m	<b>£110.7m</b>	+8%
Operating profit margin	19.8%	<b>20.3%</b>	+ 0.5 %pts
Revenue per pub	£658.8k	<b>£699.1k</b>	+6%
Operating profit per pub	£130.2k	<b>£141.7k</b>	+9%

During 2006/7, we had an average of 781 managed pubs trading in England and Wales in our Pub Company division. A combination of strong organic growth, targeted investment, the Hardys & Hansons acquisition, estate churn and careful cost control has delivered strong profit growth.

Operating profit rose 8% to £110.7m on revenue up 6% at £546.0m.

Total like-for-like sales were 3.4% ahead, continuing our record over a number of years of steady, sustainable sales growth. We do not chase sales growth for its own sake, but seek to build customer loyalty and margin.

The operating profit margin was 20.3%, an improvement of 0.5 percentage points on 2005/6, continuing our long run of margin growth, despite major cost pressures during the year, especially in energy and Sky TV.

In the run-up to the smoking ban, we have pursued further development programmes for our mealtime, late-evening food, soft drinks and wine ranges, and added branded coffee offers in many outlets, and improved the quality of our outside trading areas.

Within Pub Company, we invested £20.8m in some 70 major property improvements. Additionally, £12.6m went on maintenance capex, with a further £8.5m spent on repairs from the revenue account. These figures exclude the investments we have made in facilities relating specifically to the smoking ban.

Pub Company began the financial year with 761 pubs. 83 pubs were added from the Hardys & Hansons estate, 32 pubs were divested and 21 transferred to Pub Partners, as part of our ongoing programme of estate re-balancing. 5 were transferred to Belhaven and 2 were acquired. The closing balance was therefore 788 sites, segmented as follows:

<i>Number of Pubs</i>	April 2006	<b>April 2007</b>
Hungry Horse	126	<b>107</b>
Real Pubs	341	<b>371</b>
Town Locals	152	<b>140</b>
Inns	142	<b>170</b>
Total	761	<b>788</b>

In March we won *The Publican's* 'Pub Company of the Year' award. This is the third time our managed division has won the accolade. It is a great testament to the quality of our business, and the efforts of all our employees.

The number of managed pubs in Greene King has risen by over 50% since 2000. At the end of the financial year, we re-shaped our managed houses business, creating two new divisions. This move creates headroom for potential further growth, while retaining a flat management structure and keeping the whole organisation as close as possible to the customer. It has been achieved without any increase in cost. The new divisions are:

- Destination Pubs (278 sites): focused on branded or strongly-formatted pubs, most of which are food-intensive. This division is led by Jonathan Webster, formerly chief executive of Hardys & Hansons.
- Local Pubs (510 sites): focused on community, town-local and town-traditional pubs, where more decision-making on the 'feel' and activities of the outlet will be devolved to local level, to reflect their individual markets. To lead this division, Jonathan Lawson joins us from Sainsbury's Local, where he was instrumental in delivering top-line growth through entrepreneurialism among local store managers.

## Pub Partners

52 weeks	05/06	06/07	Change
Average number of pubs trading	1,324	<b>1,431</b>	+8%
Revenue	£149.6m	<b>£164.0m</b>	+10%
EBITDA	£70.0m	<b>£80.6m</b>	+15%
Operating profit	£64.9m	<b>£74.7m</b>	+15%
Operating profit margin	43.4%	<b>45.5%</b>	+ 2.2 %pts
EBITDA per pub	£52.9k	<b>£56.3k</b>	+7%
Operating profit per pub	£49.0k	<b>£52.2k</b>	+6%

Pub Partners is our tenanted and leased pubs division in England and Wales. Underlying sales growth, margin management and churning of the estate have combined to deliver a 6% improvement in operating profits per pub. This, together with the effect of an additional 107 pubs trading on average in the division, has delivered operating profit growth of 15% year on year.

The operating profit of £74.7m was on revenue up 10% to £164.0m. The operating profit margin was 45.5%, up 2.2 percentage points on the previous year. Like-for-like sales rose 1.7%.

A total of £10.8m was invested across the Pub Partners estate, including 55 major investments started in the year. An additional £5.7m went on maintenance capex, and £4.6m on repairs from the revenue account. These figures exclude additional monies spent by licensees.

At the start of the financial year, 1,353 pubs were trading. The Hardys & Hansons acquisition brought 185 more sites, and 21 pubs transferred in from Pub Company. We also sold the 142 pubs which we felt were most exposed to the smoking ban, well ahead of the ban. The closing balance was therefore 1,417 pubs.

An average of 1,431 sites traded over the year, 94% of them bearing Greene King branding. Almost 80% are tenanted, with the balance on a lease agreement. In both business models

we are aiming to build partnerships, and lead the industry in terms of support and ways of working. This was acknowledged in the Morning Advertiser annual survey (September 2006), where our area managers scored the highest in terms of receiving an 'excellent' rating, and we were seen as making the most effort to 'become a better partner' by licensees.

To capture more sales in wines, spirits and minerals we have introduced a new tenancy agreement which gives even more attractive prices on these products. We are making more sites available for lease, to attract a greater number of entrepreneurial licensees. To retain control over the quality of the asset and the trading style adopted by the licensee, we have launched a new lease agreement, assignable only after four years.

We have provided extensive support to tenants to help them prepare for the smoking ban, with an assisted purchase scheme for smoking shelters, and provision of assistance with marketing and planning applications.

## Brewing Company

<i>52 weeks</i>	05/06	<b>06/07</b>	Change
Revenue	£87.7m	<b>£91.1m</b>	+4%
Operating profit	£20.6m	<b>£23.0m</b>	+12%
Operating profit margin	23.5%	<b>25.2%</b>	+ 1.8 %pts

Brewing Company is our brand management, brewing and distribution business in England and Wales. Following a very strong second half performance, revenue was up 4% on the previous year, to £91.1m, while operating profit was up 12% to £23.0m. The operating profit margin was therefore 25.2%, an improvement of 1.8 percentage points from 2005/6.

Our brand strategy leads on Greene King IPA in the on-trade and Old Speckled Hen in the off-trade – each supported by the other; by our other main brands Abbot Ale and Ruddles; and by an extensive portfolio of specialist and seasonal ales. Both Greene King IPA and Old Speckled Hen further grew their market shares, and total own-brewed volume was up 2.1% against a beer market down by -1.7%\* and an ale market down by -7%\*.

Greene King IPA, Britain's No. 1 cask ale, became the Official Beer of England Rugby in October. We are delighted to have Greene King IPA associated with rugby in the year of the rugby World Cup. The launch of Greene King IPA Chilled provides access to the growing category of extra cold beer.

Old Speckled Hen, the best-selling premium ale in supermarkets, was re-launched in a new livery and bottle. In the on-trade, the gravity was lowered to 4.5% ABV, to build distribution and rate of sale. The results have been encouraging, with the brand growing 7% last year in the on-trade.

\*Source: BBPA Monthly MAT April 2007

## Belhaven

<i>52 weeks</i>	05/06*	<b>06/07</b>	Change
Revenue	£115.1m	<b>£116.4m</b>	+1%
Operating profit	£22.4m	<b>£23.3m</b>	+4%
Operating profit margin	19.5%	<b>20.0%</b>	+ 0.6 %pts

\* 2005/6 numbers on pro-forma basis

Belhaven's results were comfortably ahead of our expectations in 2005 when Greene King acquired the Scottish business, and we are particularly encouraged by Belhaven's strong finish to the financial year.

Belhaven's revenue, trading profit and trading profit margin all grew year on year, a significant achievement in the first year of the Scottish smoking ban.

Each part of Belhaven contributed to the success. Belhaven's brewing business significantly outperformed competitors with on-trade beer volumes up 2.2% on the preceding year in a market which was down by 7.2%. Belhaven brand sales volumes were up 2.4% with Belhaven Best, Scotland's on-trade market leading draught ale, improving volume by 5.6%.

Belhaven's managed pubs grew both sales and margin. A combination of new openings and over 25% growth in food sales compensated for a slight decline in beer sales and machine income. The tenanted/leased business also performed well, and benefited further from estate churn and improved wholesale beer margins.

26 pubs were added during the financial year mainly through single site acquisitions and there were 17 disposals of smaller, lower-quality units, leaving the estate at the close of the year at 299 houses (200 tenanted / leased and 99 managed).

### **Hardys & Hansons**

On 5 September we completed the acquisition of Hardys & Hansons plc. The acquisition brought us 268 sites: 83 managed and 185 tenanted. 97% of the jobs at Hardys & Hansons were retained. Most of the pubs are in the East Midlands, which is adjacent to our heartland; and the acquisition has extended our core territory in a very efficient way from a sales and distribution perspective. I described it at the time as a "hand-in-glove fit" and so indeed it has proved. At the time of the deal, we estimated £5m annual synergies, £3m of them in the first full year. Capture of these synergies is on track. Additionally, we are now gaining operational know-how about the running of larger-format food pubs. I am delighted that Jonathan Webster accepted my invitation to stay with Greene King and lead our new Destination Pubs division.

### **Disposal of 155 pubs**

On 1 December, we completed the sale of 155 pubs to Admiral Taverns, for the sum of £56.5m. These pubs generated historic pre-overhead EBITDA of £5.3m. Along with the deal, we secured an attractive beer supply agreement with Admiral for their entire estate in England. We will continue to dispose of, as well as to acquire, sites in a timely manner and at the right price, in order to optimise the quality of our estate.

### **Capital efficiency**

We are committed to maximising value to shareholders through a combination of acquisitions, organic investment and return of surplus funds. Key to this is finding the appropriate balance between retaining financial flexibility on the one hand, and driving balance sheet efficiency on the other. Due to the strong cash generation of our business, and the changes we have made to our debt structure, our fixed charge cover currently stands at 2.8x, which we believe is now sub-optimal.

We therefore intend to move towards fixed charge cover of 2.3x over the next twelve to eighteen months. This ratio we will continue to keep under close review.

Of the funds thus generated, we intend to return at least £100m to shareholders in financial year 2007/8, in the form of share buy-backs, additional to the £28m of buy-backs already executed this financial year. The balance will be available to fund a combination of further acquisitions, on which we have a strong track record of value-creative deals; organic investment; and the return of additional funds to shareholders in the form of further share buy-backs.

## Unlocking property value

Greene King has in place a securitisation arrangement covering 1,632, or 65%, of our pubs, representing EBITDA of £165.4m. There remain, therefore, 872 or 35% of our pubs outside the securitisation arrangement.

The board has reviewed in detail a wide range of options to maximise the value release from these unsecuritised assets, including a separate Real Estate Investment Trust (REIT), an extension of the existing securitisation, and the creation of an 'OpCo/PropCo' structure with a joint-venture partner.

The board believes that an OpCo/PropCo structure with a joint-venture partner for all or a proportion of the unsecuritised part of the estate may deliver the best balance between realising value and retaining some operational control. With the right joint-venture partner, and on the right terms, we believe that we could benefit from additional skills and disciplines which will further help us to unlock property value from our estate. Assuming the right conditions, we would anticipate a transaction during the course of this financial year. Throughout this process, we remain committed to achieving and maintaining balance sheet efficiency.

## The smoking ban in England

The smoking ban in enclosed public spaces in England has now come into effect. Although it is too early to measure actual results, we believe we are very well-placed both to meet the challenges and to capitalise on the opportunities presented by the ban, for the following reasons:

- We have high-quality sites, over 95% of which have usable exterior areas
- Our preparations for the ban have stretched over a number of years, gradually introducing non-smoking areas and building 'smoking solutions' into developments
- We have also over a number of years been broadening both our customer base among women and families, and our sales mix to elevate the importance of food
- Our exposure to all major trade channels in Scotland means we have been able to 'learn in advance' and adapt plans from Belhaven's experiences
- Specific actions preparatory to the ban, including the installation of smoking shelters and marketing and communications programmes, have been delivered on schedule. In total we will have spent £10m on smoking ban projects

## Current trading and outlook

Trading in the first eight weeks of the current financial year has been in line with our expectations. Total like-for-like sales in our managed houses in England and Wales were up 1%; underlying total like-for-like sales, excluding the World Cup effect, were up by 3%. Like-for-like sales at Pub Partners were up 1%, while Brewing Company's own-brewed volume sales were up 6%. Belhaven Best sales were up 6%.

We are well prepared for the smoking ban, which has just come into force in England. The actions we have taken, combined with the quality and positioning of our estate, will enable us to meet the challenge and to grasp the opportunity, as we widen our customer base.

We are confident that we will continue to deliver a strong performance throughout the course of the year.

The intrinsic quality of our assets, combined with the talents of our team, and the benefit of recent acquisitions, provide exciting opportunities to deliver further underlying growth in the future. Furthermore, our plans to release capital from our balance sheet and to unlock value from our property estate will generate substantial additional value for our shareholders.

Rooney Anand  
Chief Executive

2 July 2007

# Group Income Statement

for the fifty-two weeks ended 29 April 2007

	Note	2007			2006		
		Before exceptional items £m	Exceptional items £m	Total £m	Before exceptional items £m	Exceptional items £m	Total £m
<b>Revenue</b>	2	<b>917.5</b>	-	<b>917.5</b>	818.6	-	818.6
Operating costs		<b>(699.4)</b>	<b>(4.9)</b>	<b>(704.3)</b>	(627.7)	(4.2)	(631.9)
Disposal of property, plant and equipment		-	<b>21.1</b>	<b>21.1</b>	-	5.5	5.5
<b>Operating profit</b>	2	<b>218.1</b>	<b>16.2</b>	<b>234.3</b>	190.9	1.3	192.2
Finance income		<b>4.4</b>	-	<b>4.4</b>	1.0	-	1.0
Finance costs		<b>(83.0)</b>	<b>(10.1)</b>	<b>(93.1)</b>	(71.7)	-	(71.7)
Net finance income/(cost) from pensions		<b>0.3</b>	-	<b>0.3</b>	(0.6)	-	(0.6)
<b>Profit before tax</b>		<b>139.8</b>	<b>6.1</b>	<b>145.9</b>	119.6	1.3	120.9
Tax	4	<b>(42.0)</b>	<b>4.7</b>	<b>(37.3)</b>	(36.5)	5.5	(31.0)
<b>Profit attributable to equity holders of parent</b>		<b>97.8</b>	<b>10.8</b>	<b>108.6</b>	83.1	6.8	89.9
<b>Earnings per share</b>							
- basic	5			<b>71.9p</b>			60.6p
- adjusted basic	5	<b>64.8p</b>			56.0p		
- diluted	5			<b>70.8p</b>			59.7p
- adjusted diluted	5	<b>63.8p</b>			55.2p		
<b>Dividends per share (paid and proposed in respect of the period)</b>		<b>22.90p</b>			20.15p		

Adjusted earnings per share, operating profit and tax exclude the effect of exceptional items.

# Group Balance Sheet

as at 29 April 2007

	Note	As at 29 April 2007 £m	As at 30 April 2006 £m
<b>Non current assets</b>			
Property, plant and equipment		1,985.8	1,771.8
Goodwill		607.7	505.1
Financial assets		33.7	34.0
Derivative financial instruments		8.4	1.9
Deferred tax assets		26.3	24.6
Prepayments		6.2	7.3
Trade and other receivables		0.2	0.5
		<b>2,668.3</b>	<b>2,345.2</b>
<b>Current assets</b>			
Inventories		18.2	20.1
Trade and other receivables		48.9	38.0
Prepayments		6.4	8.6
Derivative financial instruments		2.0	1.0
Cash and cash equivalents	7	92.1	30.6
		<b>167.6</b>	<b>98.3</b>
<b>Current liabilities</b>			
Borrowings	7	(136.4)	(279.2)
Derivative financial instruments		(0.2)	(3.2)
Trade and other payables		(168.2)	(132.4)
Income tax payable		(31.6)	(17.1)
		<b>(336.4)</b>	<b>(431.9)</b>
<b>Non current liabilities</b>			
Borrowings	7	(1,391.2)	(998.1)
Derivative financial instruments		(4.4)	(17.0)
Deferred tax		(224.2)	(179.6)
Post-employment liabilities		(45.5)	(55.4)
		<b>(1,665.3)</b>	<b>(1,250.1)</b>
<b>Total net assets</b>		<b>834.2</b>	<b>761.5</b>
<b>Issued capital and reserves</b>			
Share capital		18.8	19.1
Share premium		243.7	240.6
Capital redemption reserve		1.4	1.0
Hedging reserve		4.3	(11.9)
Own shares		(18.9)	(11.1)
Retained earnings		584.9	523.8
<b>Total equity</b>	9	<b>834.2</b>	<b>761.5</b>
<b>Net debt</b>	7	<b>1,435.5</b>	<b>1,246.7</b>

# Group Cash Flow Statement

for the fifty-two weeks ended 29 April 2007

	Note	2007 £m	2006 £m
<b>Operating activities</b>			
Operating profit		234.3	192.2
Operating exceptional items		(16.2)	(1.3)
Depreciation and amortisation		42.7	38.3
<b>EBITDA*</b>	2	<b>260.8</b>	229.2
Working capital and non-cash movements	10	14.5	(11.6)
Interest received		4.4	1.0
Interest paid		(91.5)	(69.2)
Tax paid		(16.0)	(28.9)
<b>Net cashflow from operating activities</b>		<b>172.2</b>	120.5
<b>Investing activities</b>			
Purchase of property, plant and equipment		(90.9)	(77.9)
Movements in financial assets		0.9	4.1
Sales of property, plant and equipment		70.3	17.9
Acquisition of subsidiaries, net of cash acquired	8	(172.5)	(232.7)
<b>Net cashflow from investing activities</b>		<b>(192.2)</b>	(288.6)
<b>Financing activities</b>			
Equity dividends paid	6	(31.5)	(27.7)
Issue of shares	9	5.4	51.6
Purchase of own shares	9	(44.2)	(4.8)
Financing costs		(4.3)	(0.1)
Repayment of borrowings		(802.9)	(99.0)
Advance of borrowings		965.0	239.7
<b>Net cashflow from financing activities</b>		<b>87.5</b>	159.7
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>67.5</b>	(8.4)
Opening cash and cash equivalents		15.2	23.6
<b>Closing cash and cash equivalents</b>		<b>82.7</b>	15.2

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

## Group Statement of Recognised Income and Expense

for the fifty-two weeks ended 29 April 2007

	<b>2007</b>	2006
	<b>£m</b>	£m
Cashflow hedges: gains taken to equity	<b>18.1</b>	4.1
Cashflow hedges: losses recycled to income	<b>5.0</b>	-
Actuarial gains on defined benefit pension schemes	<b>10.2</b>	10.7
Tax on items recognised directly in equity	<b>(10.0)</b>	(4.4)
Tax on benefit relating to share based payments	<b>6.3</b>	1.7
Net income recognised directly in equity	<b>29.6</b>	12.1
Profit for the period	<b>108.6</b>	89.9
Total recognised income and expense for the period attributable to equity holders of parent	<b>138.2</b>	102.0

The effects of changes in accounting policy on implementation of IAS 32 and IAS 39 at the start of the comparative period have been applied.

# Notes to the accounts

for the fifty-two weeks ended 29 April 2007

## 1 Basis of preparation

The financial information for the fifty-two weeks ended 29 April 2007 has been audited and has been prepared in accordance with International Financial Reporting Standards (IFRS) as required by European Union Law. The accounting policies are as described in the full 2006 financial statements of Greene King plc, except for the following:

- International Accounting Standards (IAS) 39 Financial guarantee amendment - Financial instruments: Recognition and measurement
- International Financial Reporting Interpretations Committee (IFRIC) 4 - Determining whether an arrangement contains a lease
- IFRIC 8 - Scope of IFRS 2

There is no impact in the current period and no changes to comparatives are deemed required from the adoption of these standards.

## 2 Segment information

Pub Company covers the results of managed houses, Pub Partners covers the results of tenanted houses, Brewing Company covers brewing beer, marketing and selling, all predominantly in England. Belhaven covers the results of our Scottish operation, which includes managed and tenanted houses and brewing and selling beer. Corporate includes central costs and central assets/liabilities. To aid comparability, the 2005/06 segmental figures have been adjusted to re-analyse the Ridley's business from Brewing Company to Pub Partners and Corporate in accordance with the 2006/07 treatment.

Results for the 34 weeks of the acquired Hardys & Hansons business have been integrated into the Pub Company, Pub Partners and Brewing Company segments. In 2006, the Belhaven results reflect 30 weeks of trading since acquisition.

2007	Pub Company £m	Pub Partners £m	Brewing Company £m	Belhaven £m	Corporate £m	Unallocated £m	Total £m
Net assets	1,212.9	816.3	212.0	306.9	(9.2)	(1,704.7)	834.2
Revenue	546.0	164.0	91.1	116.4	-	-	917.5
EBITDA*	138.0	80.6	27.1	27.3	(12.2)	-	260.8
Operating profit**	110.7	74.7	23.0	23.3	(13.6)	-	218.1
Operating profit** change	8.4%	15.1%	11.7%	86.4%	-	-	
2006	Pub Company £m	Pub Partners £m	Brewing Company £m	Belhaven £m	Corporate £m	Unallocated £m	Total £m
Net assets	1,064.5	703.5	199.4	278.4	7.2	(1,491.5)	761.5
Revenue	516.5	149.6	87.7	64.8	-	-	818.6
EBITDA*	128.2	70.0	24.1	14.9	(8.0)	-	229.2
Operating profit**	102.1	64.9	20.6	12.5	(9.2)	-	190.9

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

\*\* before the effect of exceptional items (note 3)

Unallocated assets / liabilities includes pension, net deferred tax, net current tax, and derivatives.

### 3 Exceptional items

	2007 £m	2006 £m
<b>Included in operating profit</b>		
Integration of Laurel Neighbourhood business	-	1.3
Integration of Ridley's business	-	2.4
Integration of Belhaven business	-	0.5
Integration of Hardys & Hansons business	4.9	-
Disposal of property, plant and equipment	(21.1)	(5.5)
	<b>(16.2)</b>	<b>(1.3)</b>
<b>Included in financing costs</b>		
Termination of interest rate swaps and loan facilities	10.1	-
<b>Total exceptional items before tax</b>	<b>(6.1)</b>	<b>(1.3)</b>

### 4 Taxation

	2007 Before exceptional items £m	2007 Exceptional items £m	2007 Total £m	2006 Before Exceptional Items £m	2006 Exceptional items £m	2006 Total £m
<b>Income tax</b>						
Corporation tax before exceptional items	39.2	-	39.2	32.7	-	32.7
Exceptional tax credit	-	(3.0)	(3.0)	-	-	-
Recoverable on exceptional items	-	(4.4)	(4.4)	-	(0.8)	(0.8)
Current income tax	39.2	(7.4)	31.8	32.7	(0.8)	31.9
Adjustment in respect of prior periods	-	-	-	-	(3.3)	(3.3)
	<b>39.2</b>	<b>(7.4)</b>	<b>31.8</b>	<b>32.7</b>	<b>(4.1)</b>	<b>28.6</b>
<b>Deferred tax</b>						
Origination and reversal of temporary differences	2.8	2.7	5.5	3.8	(1.4)	2.4
Tax charge in the income statement	42.0	(4.7)	37.3	36.5	(5.5)	31.0

The tax effect of non-trading exceptionals was £3.0m (2006 – £nil)

## 5 Earnings per share

Basic earnings per share has been calculated by dividing the profit attributable to equity holders of £108.6m (2006 - £89.9m) by the weighted average number of shares in issue during the year (excluding own shares held) of 151.0m (2006 – 148.4m).

Diluted earnings per share has been calculated on a similar basis taking account of 2.3m (2006 – 2.3m) dilutive potential shares under option, giving a weighted average number of ordinary shares adjusted for the effect of dilution of 153.3m (2006 – 150.7m).

Adjusted earnings per share excludes the effect of exceptional items and is presented to show the underlying performance of the group on both a basic and dilutive basis.

Adjusted earnings per share	Earnings		Basic earnings per share		Diluted earnings per share	
	2007 £m	2006 £m	2007 p	2006 P	2007 p	2006 p
Profit attributable to equity holders	<b>108.6</b>	89.9	<b>71.9</b>	60.6	<b>70.8</b>	59.7
Exceptional items (note 3)	<b>(10.8)</b>	(6.8)	<b>(7.1)</b>	(4.6)	<b>(7.0)</b>	(4.5)
Profit attributable to equity holders before exceptional items	<b>97.8</b>	83.1	<b>64.8</b>	56.0	<b>63.8</b>	55.2

## 6 Dividends paid and proposed

	2007 £m	2006 £m
<i>Declared and paid in the period</i>		
Interim dividend for 2007 – 6.45p (2006 – 5.8p)	<b>9.8</b>	8.9
Final dividend for 2006 – 14.35p (2005 – 12.925p)	<b>21.7</b>	18.8
	<b>31.5</b>	27.7
<i>Proposed for approval at the AGM</i>		
Final dividend for 2007 – 16.45p (2006 – 14.35p)	<b>24.4</b>	21.7
Total proposed dividend for 2007 – 22.90p (2006 – 20.15p)	<b>34.2</b>	30.6

Dividends on own shares have been waived.

## 7 Borrowings

	2007 Current £m	2007 Non-Current £m	2007 Total £m	2006 Current £m	2006 Non-current £m	2006 Total £m
Bank overdrafts	<b>9.4</b>	-	<b>9.4</b>	15.4	-	15.4
Bank loans - floating rate	-	<b>235.0</b>	<b>235.0</b>	-	-	-
Bank loans - floating rate (repaid)	-	-	-	199.8	328.8	528.6
Bank loan - fixed rate	<b>3.0</b>	<b>61.6</b>	<b>64.6</b>	2.7	64.6	67.3
Securitised debt	<b>16.1</b>	<b>1,094.6</b>	<b>1,110.7</b>	12.9	567.0	579.9
Loan notes	<b>107.9</b>	-	<b>107.9</b>	0.4	6.9	7.3
11.25% Loan from associate (repaid)	-	-	-	48.0	-	48.0
7.75% Debenture (repaid)	-	-	-	-	30.8	30.8
<b>Borrowings</b>	<b>136.4</b>	<b>1,391.2</b>	<b>1,527.6</b>	279.2	998.1	1,277.3
Cash and cash equivalents			<b>(92.1)</b>			(30.6)
<b>Net debt</b>			<b>1,435.5</b>			1,246.7

## 8 Acquisitions

The group acquired 100% of the voting shares of Hardys & Hansons Plc, an AIM listed group consisting of a brewery and managed and tenanted estates, on 5 September 2006.

<b>Fair value of assets acquired</b>	<b>2007</b>	<b>2006</b>
	<b>£m</b>	<b>£m</b>
Property, plant and equipment	<b>214.3</b>	173.0
Intangible assets	-	-
Financial assets	<b>0.9</b>	23.6
Inventories	<b>1.6</b>	3.2
Trade receivables	<b>2.9</b>	8.9
Other receivables/prepayments	<b>2.6</b>	3.2
Cash and cash equivalents	<b>(0.5)</b>	(9.9)
Trade payables	<b>(12.7)</b>	(5.9)
Other payables/accruals	<b>(3.3)</b>	(15.8)
Borrowings	-	(71.7)
Derivative financial instruments	-	(0.2)
Pensions liability	<b>(2.5)</b>	(6.4)
Deferred tax	<b>(31.0)</b>	(17.4)
Fair value of net assets	<b>172.3</b>	84.6
Goodwill	<b>102.6</b>	145.1
	<b>274.9</b>	229.7
Consideration (including fees) satisfied by:		
Cash	<b>172.0</b>	222.8
Loan notes issued	<b>102.9</b>	6.9
Total consideration	<b>274.9</b>	229.7
Enterprise value*	<b>274.9</b>	301.4

\*Enterprise value is the total of consideration paid and borrowings acquired

The fair value of properties acquired was established following a review of properties that was carried out by qualified surveyors employed by the company. Retained properties have been revalued at their existing use value and properties subsequently disposed have been valued at their fair value less costs to sell. The values of other current assets and liabilities have been adjusted to amounts to be realised or paid respectively.

## 9 Reconciliation of movements in total equity

	2007 £m	2006 £m
At 30 April 2006	761.5	637.1
Issue of share capital	3.2	49.4
Share option proceeds	2.2	2.2
Repurchase of own shares	(44.2)	(4.8)
Actuarial gain	10.2	10.7
Tax on actuarial gain	(3.1)	(3.2)
Share based payments	4.8	3.3
Tax on share based payments	6.3	1.7
Cash flow hedge: gains taken to equity	18.1	4.1
Cash flow hedge: losses recycled to income	5.0	-
Tax on cash flow hedges	(6.9)	(1.2)
Profit for the period	108.6	89.9
Equity dividends	(31.5)	(27.7)
<b>At 29 April 2007</b>	<b>834.2</b>	<b>761.5</b>

## 10 Working capital and non-cash movements

	2007 £m	2006 £m
Increase in provision against other financial assets	0.3	0.7
(Increase)/decrease in inventories	3.5	(2.7)
Increase in trade and other receivables	(1.8)	(2.1)
Increase/(decrease) in trade and other payables	14.8	(4.8)
Other non-cash movement	-	1.4
Increase in share based payments	4.7	3.1
Difference between defined benefit pension contributions paid and amounts charged	(1.9)	(2.3)
Integration costs	(5.1)	(4.9)
<b>Working capital and non-cash movements</b>	<b>14.5</b>	<b>11.6</b>

## 11 Movement in net debt

	2007 £m	2006 £m
Net increase/(decrease) in cash and cash equivalents	67.5	(8.4)
Proceeds – issue of securitised debt	(550.0)	-
Proceeds – advances of loans	(415.0)	(239.7)
Repayment of principal – securitised debt	15.3	12.9
Repayment of principal – loans and loan notes	787.6	86.1
Financing issue costs	4.3	0.1
Increase in net debt arising from cash flows	(90.3)	(149.0)
Debt acquired through acquisitions	-	(71.7)
Debt issued for acquisitions	(102.9)	(6.9)
Other non cash movements	4.4	1.1
<b>Increase in net debt</b>	<b>(188.8)</b>	<b>(226.5)</b>
Opening net debt	(1,246.7)	(1,020.2)
<b>Closing net debt</b>	<b>(1,435.5)</b>	<b>(1,246.7)</b>

## 12 Dividend payments

Subject to the approval of shareholders at the annual general meeting, the final dividend will be paid on 10 September 2007 to shareholders on the register at the close of business on 3 August 2007.

## 13 Reports and accounts

The above financial information is derived from the statutory accounts for the periods ended 29 April 2007 and 30 April 2006, on both of which the auditors have issued an unqualified opinion. The information does not constitute statutory accounts as defined in Section 240 (1) of the Companies Act 1985.

The accounts for the period ended 30 April 2006 have been filed with the Registrar of Companies and the accounts for the period ended 29 April 2007 will be filed in due course.

The 2007 Report & Accounts will be posted to shareholders on 6 August 2007 and copies will be available from that date from the Company Secretary at the registered office of the company, Westgate Brewery, Bury St. Edmunds, Suffolk IP33 1QT.

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