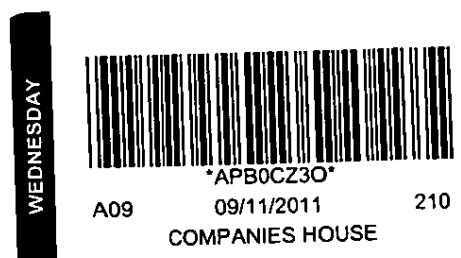


Registered number 7427021

GREENE KING OPERATIONS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the 26 weeks Ended 1 May 2011



GREENE KING OPERATIONS LIMITED

DIRECTORS' REPORT

For the 26 weeks Ended 1 May 2011

The directors present their report and the financial statements for the 26 weeks ended 1 May 2011

Principal activities

The company was incorporated on 2 November 2010. The company's principal activity is that of an intermediary holding company.

During the period, the company acquired 100% of the share capital of Greene King Brewing and Retailing Limited in exchange for its own shares.

Business review

The company's performance in the year has met directors' expectations and no significant change in trade is expected in future years. As a 100% owned subsidiary of the Greene King plc group, the principal risks faced by the company are consistent with those disclosed within the Greene King plc financial statements for the period ended 1 May 2011.

Results and dividends

The profit for the 26 weeks, after taxation, amounted to £22,489,000.

The directors do not recommend the payment of an ordinary dividend.

Directors

The directors who served during the 26 weeks were:

I Bull (appointed 2 November 2010 & resigned 30 June 2011)

M Fearn (appointed 9 September 2011)

R Anand (appointed 30 June 2011)

None of the directors held any interest in the share capital of the company during the period.

The interests of the directors in the shares of the ultimate parent company, Greene King plc, are shown in the accounts of the company, where they are directors of Greene King plc.

Qualifying third party indemnity provisions

The company has indemnified the directors of the company in respect of proceedings brought by third parties. Such qualifying third party indemnity provision remains in place at the date of this report.

Going concern

At the balance sheet date the company had net current liabilities of £671,776,000. The directors have prepared the accounts on a going concern basis as the ultimate parent company, Greene King plc, has given a formal undertaking that it will provide financial support to enable the company to meet its liabilities as they fall due, for a least twelve months from the date of signing these accounts.

GREENE KING OPERATIONS LIMITED

DIRECTORS' REPORT

For the 26 weeks Ended 1 May 2011

Provision of information to auditors

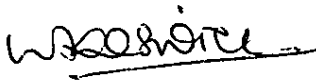
Each of the persons who are directors at the time when this Directors' report is approved has confirmed that.

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information

Auditors

The auditors, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006

This report was approved by the board on 1 NOVEMBER 2011 and signed on its behalf



Mrs L A Keswick
Secretary

GREENE KING OPERATIONS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

For the 26 weeks Ended 1 May 2011

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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

GREENE KING OPERATIONS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GREENE KING OPERATIONS LIMITED

We have audited the financial statements of Greene King Operations Limited for the 26 weeks ended 1 May 2011 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditors' 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

As explained more fully in the Directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 1 May 2011 and of its profit for the 26 weeks then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the 26 week period for which the financial statements are prepared is consistent with the financial statements.

GREENE KING OPERATIONS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GREENE KING OPERATIONS LIMITED

Matters on which we are required to report by exception

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

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



Bob Forsyth (Senior statutory auditor)

for and on behalf of
Ernst & Young LLP

Statutory Auditor

Date 2/11/11

GREENE KING OPERATIONS LIMITED

PROFIT AND LOSS ACCOUNT

For the 26 weeks Ended 1 May 2011

	Note	26 weeks ended 1 May 2011 £000
Income from other fixed asset investments		30,954
Interest payable and similar charges	4	<u>(8,465)</u>
Profit on ordinary activities before taxation		22,489
Tax on profit on ordinary activities	5	<u>-</u>
Profit for the financial period	10	<u>22,489</u>

All amounts relate to continuing operations

There were no recognised gains and losses for 2011 other than those included in the Profit and loss account.

The notes on pages 8 to 12 form part of these financial statements

GREENE KING OPERATIONS LIMITED
Registered number: 7427021

BALANCE SHEET
As at 1 May 2011

	Note	2011 £000
Fixed assets		
Investments	6	1,430,000
Current assets		
Debtors	7	30,953
Creditors amounts falling due within one year	8	(702,729)
Net current liabilities		<u>(671,776)</u>
Total assets less current liabilities		<u><u>758,224</u></u>
Capital and reserves		
Called up share capital	9	72
Equity Instruments reserve	10	20,735
Profit and loss account	10	<u>737,417</u>
Shareholders' funds	11	<u><u>758,224</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
1 NOVEMBER 2011



Mr M Fearn
Director

The notes on pages 8 to 12 form part of these financial statements

GREENE KING OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the 26 weeks Ended 1 May 2011

I ACCOUNTING POLICIES

Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

The company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about its group.

Financial instruments

The terms of financial instruments are evaluated to determine whether it contains both liability and equity component. Such components shall be classified separately as financial liabilities, financial assets or equity instruments accordingly.

The company recognises separately the component of the Guaranteed Convertible Unsecured Loan Notes that a) creates a financial liability of the company and b) grants an option to the holder of the instrument to convert it into an equity instrument of the company.

The carrying amount of the liability component is determined by measuring the fair value of a similar liability that does not have an associated equity component. The carrying amount of the fair value of the equity instrument represented by the option is then determined by deducting the fair value of the component financial instrument as a whole.

Cash flow

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

Investments

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

Interest

Interest receivable or payable under the company's various investments and financial instruments is accrued so as to impute a constant periodic rate of return in the profit and loss account.

Inter-company balances

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

2. OPERATING PROFIT

Auditors' remuneration for both audit and non-audit services has been borne by other group companies.

GREENE KING OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the 26 weeks Ended 1 May 2011

3 STAFF COSTS

The company has no employees other than the directors, who did not receive any remuneration for their services in respect of the company in the financial period

The directors who held office during the year were also directors of fellow group companies. Total emoluments, including any company pension contributions, received by these directors totalled £2,144,000 paid by the ultimate parent company or by other subsidiaries. The directors do not believe that it is practicable to apportion this amount between services as directors to the company and of fellow subsidiary companies. The number of directors who received or exercised share options during the year was 2.

4 INTEREST PAYABLE

	26 weeks ended 1 May 2011 £000
Unwinding of discount on convertible unsecured note	8,465

5 TAXATION

Factors affecting tax charge for the period

The tax assessed for the 26 weeks is lower than the standard rate of corporation tax in the UK of 27.8%. The differences are explained below:

	26 weeks ended 1 May 2011 £000
Profit on ordinary activities before tax	22,489
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 27.8%	6,252
Effects of	
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	2,353
Non-taxable income less expenses not deductible for tax purposes, other than goodwill and impairment	(8,605)
Current tax charge for the 26 weeks (see note above)	-

The Finance Act reduced the rate of corporation tax from 28% to 26% from 1 April 2011.

Factors that may affect future tax charges

In addition to the reduction in corporation tax during the period it is proposed to reduce the rate by 1% per annum to 23% by 1 April 2014. These further reductions had not been substantively enacted at the balance sheet date and consequently not included in these accounts.

GREENE KING OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the 26 weeks Ended 1 May 2011

6 FIXED ASSET INVESTMENTS

	Investments in subsidiary companies £000
Cost or valuation	
At 2 November 2010	-
Additions	1,430,000
At 1 May 2011	1,430,000
Net book value	
At 1 May 2011	1,430,000

During the year the company acquired the entire ordinary and preference share capital of Greene King Brewing & Retailing Limited for consideration of £1.4bn. The consideration consisted of £715m ordinary £1 shares issued by the company and £715m cash funded by an intercompany loan.

Subsidiary undertakings

The following were subsidiary undertakings of the company

Name	Class of shares	Holding
Greene King Brewing and Retailing Limited	Ordinary	100 %
Greene King Brewing and Retailing Limited	Preference	100 %

7 DEBTORS

	2011 £000
Amounts owed by group undertakings	30,953

GREENE KING OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the 26 weeks Ended 1 May 2011

8 CREDITORS

Amounts falling due within one year

	2011 £000
Amounts owed to group undertakings	
- Convertible Unsecured Note	702,729

£715,000,000 Guaranteed Convertible Unsecured Note

On 3 December 2010, the company issued a Guaranteed Convertible Unsecured Note to Greene King Investments Limited at a par value of £715,000,000

The note matures on 3 December 2011 at its nominal value of £715,000,000 or can be converted into ordinary shares at the Holder's option at the maturity date at the rate of 450,006,768 ordinary shares of £0.0001 each per £715,000,000 of principal loan note amount. The convertible loan notes are interest free

In accordance with the requirements of FRS25 the new convertible unsecured note has been split between a liability of £694,265,000 based on its amortised fair value with the remainder of £20,735,000 being recognised in the equity instruments reserve. During the period £8,465,000 was charged to the profit and loss account in relation to the unwinding of the discount on the loan notes

9 SHARE CAPITAL

	2011 £000
Allotted, called up and fully paid	
715,000,001 Ordinary shares of £0.0001 each	72

On incorporation the company issued one £1 ordinary share to Greene King plc for consideration of £1. During the period the company issued 715,000,000 £1 ordinary shares to Greene King plc for a 100% investment in Greene King Brewing and Retailing Limited

On 30 November 2010 the company reduced its nominal value of its ordinary shares from £1 to £0.0001

10 RESERVES

	Equity Instruments reserve £000	Profit and loss account £000
Profit for the 26 weeks	-	22,489
Loan notes issued (note 8)		
- 3 December 2010	20,735	-
Transfer in respect of capital reduction	-	714,928
At 1 May 2011	20,735	737,417

GREENE KING OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the 26 weeks Ended 1 May 2011

11 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2011 £000
Opening shareholders' funds	-
Profit for the 26 weeks	22,489
Shares issued during the 26 weeks	715,000
Share capital reduction	(714,928)
Transfer to profit and loss reserve on capital reduction	714,928
Loan notes issued - 3 December 2010	20,735
Closing shareholders' funds	758,224

12 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption permitted by FRS8 from the requirement to disclose transactions with the ultimate parent company, Greene King plc, or with any fellow subsidiaries within the group

13 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The directors regard Greene King plc, a company incorporated in Great Britain and registered in England and Wales, to be its immediate and ultimate parent company. Consolidated financial statements of Greene King plc for the 26 week period ended 1 May 2011 are available from Westgate Brewery, Bury St Edmunds, Suffolk, IP33 1QT