

Greene King Acquisitions No. 2 Limited

Report and Accounts

29 April 2007

Registered number 5462825

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Directors' report

The directors present their report and accounts for the period ended 29 April 2007

Principal activity

The company's principal activity is that of an intermediary holding company

Results and dividends

The loss after tax and interest was £11,599,144 (2006 - £3,426,505) and the directors do not recommend the payment of an ordinary dividend

Business review

During the period, the company has made no acquisitions or disposals and its results for the period relate to the receipt of interest from fellow group undertakings. The directors do not expect any significant changes to the operations of the business going forward. 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 29 April 2007.

Directors and their interests

The directors during the period were as follows

JPR Adams	(appointed 13 June 2006)
R Anand	
DJ Elliott	
IA Bull	(appointed 9 January 2006)
JR Lawson	(appointed 10 April 2007)
JP Webster	(appointed 18 April 2007)
M Angela	(appointed 15 August 2005, resigned 18 April 2007)

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 that company

Indemnity provision / directors' liabilities

The company has indemnified one or more directors of the company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985. Such qualifying third party indemnity provision is in force as at the date of approving the directors' report.

Statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving this report are listed above. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirm that

- to the best of their knowledge and belief, there is no information relevant to the preparation of this report of which the company's auditors are unaware, and
- they have taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

Directors' report

Auditors and Annual General Meeting

Resolutions have been passed dispensing with the need to hold an AGM and re-appoint auditors annually

By order of the board



Mrs LA Keswick
Company Secretary

Date 8 October 2008

Statement of directors' responsibilities in respect of the accounts

The directors are responsible for preparing the Annual 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). 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 judgements 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Greene King Acquisitions No. 2 Limited

We have audited the financial statements of Greene King Acquisitions Limited for the period ended 29 April 2007 which comprise the profit and loss account, the balance sheet and the related notes 1 to 12. 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 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

The directors' responsibilities for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

In addition 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.

We also 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 opinion

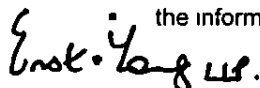
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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 United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 29 April 2007 and of its loss for the 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.



Ernst & Young LLP

Registered auditor
London
Date

8 OCT 2008

Greene King Acquisitions No. 2 Limited

Profit and loss account

for the period ended 29 April 2007

	Notes	2007 £	RESTATED 2006 £
Net interest payable	4	11,599,144	3,426,505
Loss on ordinary activities before taxation		11,599,144	3,426,505
Taxation	3	-	-
Loss after taxation	10	11,599,144	3,426,505

There is no difference between the results as shown and those calculated on a historical cost basis

There were no other recognised gains or losses in the period other than those included in the profit and loss account and consequently no statement of total recognised gains and losses is presented

Greene King Acquisitions No. 2 Limited

Balance sheet

as at 29 April 2007

	Notes	2007 £	RESTATED 2006 £
Fixed assets			
Investments	5	192,723,463	192,702,129
Current assets			
Debtors	6	69,976,904	67,452,762
Current liabilities			
Creditors amounts falling due within one year	7	(8,009,553)	(7,939,184)
Net current assets		61,967,351	59,513,578
Total assets less current liabilities		254,690,814	252,215,707
Creditors due after more than one year	8	(269,716,462)	(255,642,211)
Net liabilities		(15,025,648)	(3,426,504)
Capital and reserves			
Called up share capital	9	1	1
Profit and loss account	10	(15,025,649)	(3,426,505)
Shareholder's funds	10	(15,025,648)	(3,426,504)

Approved by the Board of Directors on 8 October 2008 and signed on its behalf by



I Bull
Director

Notes to the accounts

for the period ended 29 April 2007

1 Accounting policies

Basis of preparation

These accounts have been prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards

Cash flow statement

The company has taken advantage of the exemption permitted by FRS1, whereby a wholly owned subsidiary need not prepare a cash flow statement provided the consolidated financial statements in which the subsidiary undertaking is included are publicly available

Going concern

At the balance sheet date the company had net liabilities of £15,025,648. 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 at least twelve months from the date of signing these accounts.

Group accounts

Group accounts have not been prepared in accordance with the exemption allowed by S228 of the Companies Act 1985 because the company is a wholly owned subsidiary of another UK company which prepares group accounts. The information presented in these financial statements relates to that of the individual undertaking and not about the group.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date and is calculated using the tax rates at the balance sheet date. Deferred tax is not recognised when an asset is sold if it is more likely than not that the taxable gain will be rolled over. Provisions for deferred tax are not discounted.

Investments

Investments held as fixed assets are stated at cost less provision for any impairment in value.

Prior year adjustment

An adjustment has been made to restate the 2006 comparative figures to recognise inter-company interest receivable. The effect of this is to reduce the loss for the year previously reported by £2,272,236 and to increase the corresponding inter-company debtor by the same amount.

An adjustment has been made to restate the external loan notes payable, as they are redeemable on demand of the holders on any of the interest payment dates. The effect of this is an increase in the creditors due less than 1 year balance of £6,939,184 and a decrease in the creditors due more than 1 year balance of the same amount.

Greene King Acquisitions No. 2 Limited

Notes to the accounts (continued)

for the period ended 29 April 2007

2 *Auditors' remuneration, directors' emoluments and employees*

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

The directors received no remuneration for their services in respect of the company in the financial period. The company had no employees other than the directors

3 *Taxation*

	2007 £	RESTATED 2006 £
Current taxation		
Corporation tax	-	-
Factors affecting current taxation charge		
Loss on ordinary activities before tax	11,599,144	3,426,505
Tax credit on loss on ordinary activities multiplied by UK standard rate of corporation tax of 30%	(3,479,743)	(1,027,952)
Effects of Group relief	3,479,743	1,027,952
Current tax credit for the period	-	-

Factors that may affect future tax charges

With effect from 1 April 2008 the standard rate of corporation tax was reduced from 30% to 28%

4 *Net Interest payable*

	2007 £	RESTATED 2006 £
Net interest payable		
On external loan notes	238,339	-
To fellow group undertakings		
- Unwinding of discount on convertible loan notes (note 9)	14,074,251	5,642,211
- Other interest	183,486	56,530
On Preference shares	807,737	-
	15,179,439	5,698,741
From fellow group undertakings - other	(3,704,669)	(2,272,236)
	11,599,144	3,426,505

Greene King Acquisitions No. 2 Limited

Notes to the accounts (continued)

for the period ended 29 April 2007

5 Investments

	2007 £	2006 £
Shares in subsidiaries	192,723,463	192,702,129

Movements in investments in subsidiaries are as follows

	2007 £	2006 £
At 1 May 2006	192,702,129	-
Additions	21,334	192,702,129
Disposals	-	-
At 29 April 2007	192,723,463	192,702,129

The company's investment is a 100% interest in The Belhaven Group Limited, a company incorporated in Scotland, that was acquired on 2 October 2005

At 29 April 2007 The Belhaven Group Limited and its subsidiaries had net assets of £110.8m (2006 - £86.3m). Impairment is considered unnecessary as the net present values of future cash flows of the business are in excess of the carrying value of the investment

6 Debtors

	2007 £	RESTATED 2006 £
Amounts owed from fellow group undertakings	69,976,904	67,452,762

7 Creditors amounts falling due within one year

	2007 £	RESTATED 2006 £
Loan notes (see below)	5,055,536	6,939,184
Amounts owed to fellow group undertakings	2,954,017	1,000,000
	8,009,553	7,939,184

Loan Notes

On 2 October 2005, as part of the acquisition of The Belhaven Group Limited, the company issued loan notes. These loan notes mature on 31 December 2010 and bear an interest rate of LIBOR less 0.75%, payable semi-annually, and are redeemable on demand of the holders on any of the interest payment dates.

Notes to the accounts (continued)

for the period ended 29 April 2007

8 Creditors amounts falling due after one year

	2007	RESTATED 2006
	£	£
Amounts owed to fellow group undertakings (see below)		
- Guaranteed convertible discounted unsecured note	-	255,642,211
- 2035 loan note	26,971,646	-
Irredeemable preference shares (see below and note 9)	242,744,816	-
	269,716,462	255,642,211

Amounts owed to group undertakings

Amounts owed to group undertakings falling due after more than one year consist entirely of the Guaranteed Convertible Discounted Unsecured Note described below

£294,117,647 Guaranteed Convertible Discounted Unsecured Note 2035

On 29 November 2005 the company issued a £294,117,647 Guaranteed Convertible Discounted Unsecured Note to its parent company Greene King Brewing and Retailing Limited for proceeds of £250,000,000

The balance of £255,642,211 due at 30 April 2006 comprised the £250,000,000 principle amount and accrued interest of £5,642,211 (see note 4). The Guaranteed Convertible Discounted Unsecured Note could be converted, in certain circumstances, partly into preference shares and partly into new unsecured loan stock

On 18 April 2007 the company gave notice to Greene King Brewing and Retailing Limited that the conditions of the Guaranteed Convertible Discounted Unsecured Note had been satisfied and that in accordance with the terms of the Note it would be converted into irredeemable preference shares of £0.01 each and new unsecured loan stock. The original loan notes were redeemed for consideration of £269,716,462, comprising £26,971,646 of new loan notes and 242,649,782 irredeemable preference shares of £0.01 each

In accordance with the requirements of FRS 25 Financial Instruments – Disclosure and presentation the nominal value of these irredeemable preference shares, of £2,426,498, and premium on issue, of £240,318,318, are shown as a financial liability

The loan note attracts interest at a rate of LIBOR plus 1% payable periodically. The loan note is repayable in full on 29 November 2035

Irredeemable preference shares

242,649,782 irredeemable preference shares of £0.01 each were issued during the year, with a premium of £240,318,318 on issue. The shares are cumulative shares and attract a preferential dividend in each 12 month period equal to LIBOR + 3.88% x 100

Greene King Acquisitions No. 2 Limited**Notes to the accounts** *(continued)*

for the period ended 29 April 2007

9 Share capital**Authorised**

	2007 No	2006 No	2007 £	2006 £
Irredeemable preference shares of £0.01 each	249,990,000	249,990,000	2,499,900	2,499,900
Ordinary shares of £1 each	100	100	100	100
	249,990,100	249,990,100	2,500,000	2,500,000

Allotted, called up and fully paid

	2007 No	2006 No	2007 £	2006 £
Shares accounted for as liabilities				
Irredeemable preference shares of £0.01 each	242,649,782	-	2,426,498	-
Premium on irredeemable preference shares			240,318,318	-
See note 8	242,649,782	-	242,744,816	-

Shares accounted for as equity

Ordinary shares of £1 each	1	1	1	1
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Greene King Acquisitions No. 2 Limited

Notes to the accounts (continued)

for the period ended 29 April 2007

10 *Reconciliation of movements in shareholder's funds*

	Share capital	Profit and loss	Total
	£	£	£
Shares Issued	1	-	1
Retained profit	-	(5,698,741)	(5,698,741)
At 30 April 2006 – as previously reported	1	(5,698,741)	(5,698,740)
Prior year adjustment relating to re-allocation of inter-company interest (see note 1)	-	2,272,236	2,272,236
At 30 April 2006 – as restated	1	(3,426,505)	(3,426,505)
Retained profit	-	(11,599,144)	(11,599,144)
At 29 April 2007	1	(15,025,649)	(15,025,648)

11 *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

12 *Ultimate parent company*

The directors regard Greene King plc, a company incorporated in Great Britain and registered in England and Wales, to be its ultimate parent company. Consolidated financial statements of Greene King plc for the 52 week period ended 29 April 2007 are available from Westgate Brewery, Bury St Edmunds, Suffolk, IP33 1QT

The company's immediate parent undertaking and controlling party is Greene King Brewing and Retailing Limited, a company incorporated in Great Britain and registered in England and Wales