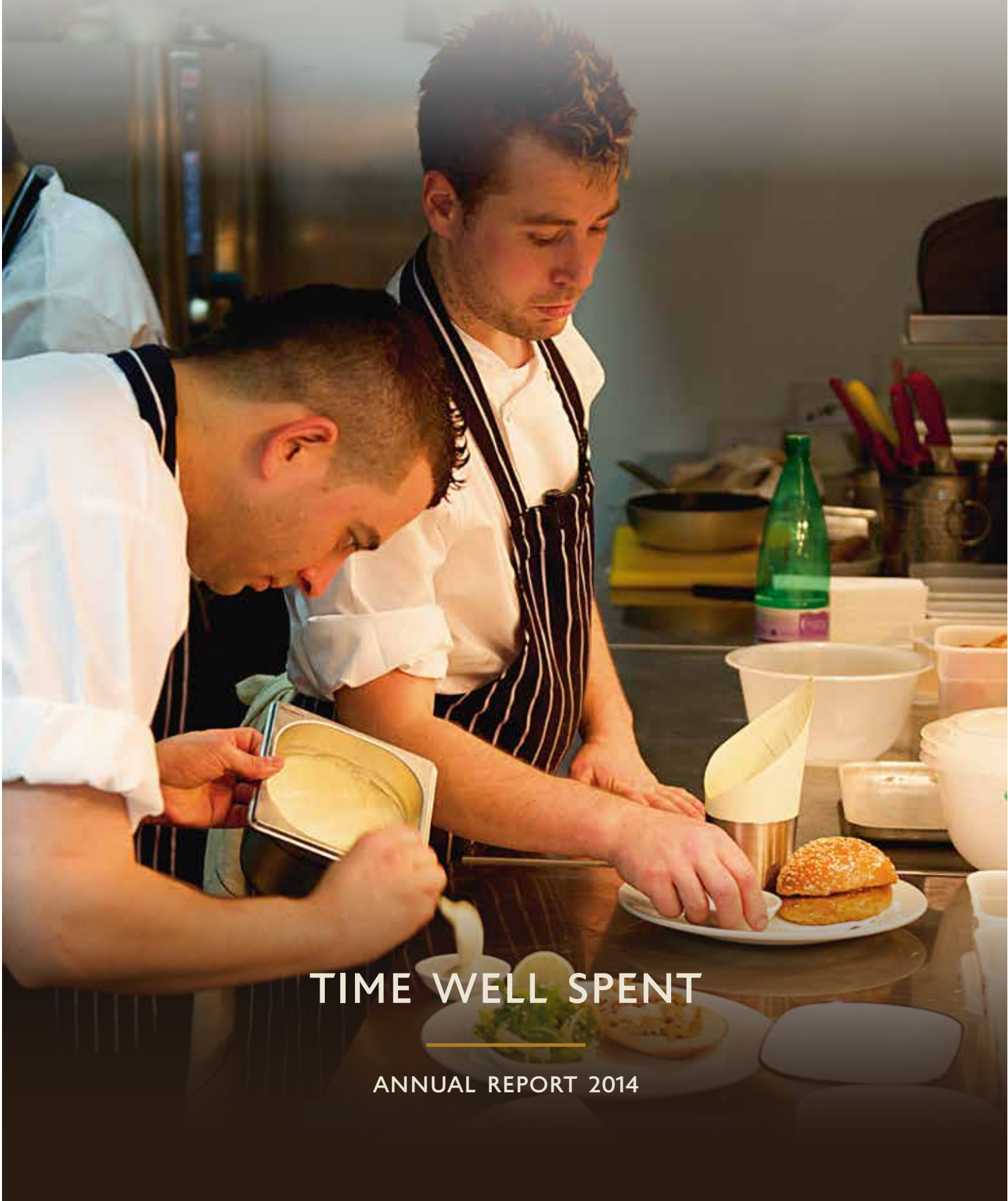




GREENE KING
BURY ST EDMUNDS



TIME WELL SPENT

ANNUAL REPORT 2014

WE ARE ONE OF THE COUNTRY'S LEADING PUB AND BREWING COMPANIES.

We run over 1,900 managed, tenanted, leased and franchised pubs, restaurants and hotels, including some well-known brands such as Hungry Horse and Loch Fyne Seafood and Grill, and we have a proud history of brewing award-winning ales for more than 200 years.



We have had another successful year, achieving record results, generating strong returns for our shareholders and making further strategic progress.

Our strategy is focused on increasing our exposure towards long-term growth markets, and all our divisions aim to deliver outstanding value, exceptional service and unbeatable quality to our customers.

RETAIL

Our Retail business comprises both branded and unbranded pubs, restaurants and hotels that we manage across the UK – we now have more than 1,000 of them.

> RETAIL
Read more page 20

PUB PARTNERS

Our Pub Partners business offers people the opportunity to run their own pubs across the UK on a tenanted, leased or franchised basis.

> PUB PARTNERS
Read more page 23

BREWING & BRANDS

Our Brewing & Brands business operates two breweries in Bury St Edmunds and in Dunbar and brews a wide range of well-known and award-winning ales.

> BREWING & BRANDS
Read more page 25

STRATEGIC REPORT

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VISIT THIS REPORT ONLINE
greenekingreports.com/ar14

Our overall vision is to build the best pubs and beer business in the UK.

Within this, our objectives are to deliver outstanding value, exceptional service and unbeatable quality across our businesses, supported by investment in innovation and in our people.

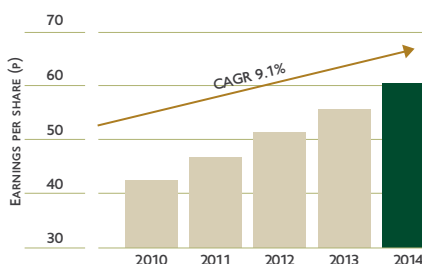
We have:

- A proven growth strategy
- A high quality, well positioned estate
- Increasing exposure to the eating out market
- A resilient brand portfolio
- A strong balance sheet and attractive, growing dividends

PROVEN GROWTH STRATEGY

Our strategy of expanding our Retail business, reducing the size of our tenanted estate and delivering market outperformance in our Brewing & Brands business has produced adjusted EPS growth of 42% between 2010 and 2014, representing a compound annual growth rate of 9.1%.

Earnings per share 2010–2014



* 2010–2013 have been adjusted for the impact of IAS 19(R). 2014 EPS is on a 52 week basis.

➔ **OUR STRATEGY**
page 18

HIGH QUALITY, WELL POSITIONED ESTATE

We run around 1,900 managed and tenanted pubs. 59% of our estate is situated in the south-east, which has proved beneficial throughout the economic recovery.

We own the freehold title on c.94% of our estate. This gives us freedom to renovate our pubs and removes the ongoing requirement to use a proportion of the cash that we generate to pay rent. We believe that these benefits, among others, outweigh the initial capital outlay associated with purchasing the freehold title of a pub.



EXPOSURE TO THE UK EATING OUT MARKET

In 2014 food accounted for over 41% of sales in our Retail business, up from 35% in 2009.

It is part of our stated strategy in our Retail business to increase the proportion of our sales from food. We have only a small proportion of the total eating out market in the UK and plenty of opportunities to grow our share.



RESILIENT BRAND PORTFOLIO

We have a number of well-known pub and restaurant brands and ales, including:

- Popular national pub restaurant and restaurant brands such as Hungry Horse and Loch Fyne Seafood & Grill.
- A range of historic coaching inns, attractive town houses and thatched and timbered buildings which form part of our Old English Inns hotels.
- Well-known brands such as Greene King IPA, Old Speckled Hen, and Abbot Ale, as well as Belhaven Best in Scotland.

RETAIL BRANDS:



BREWING BRANDS:

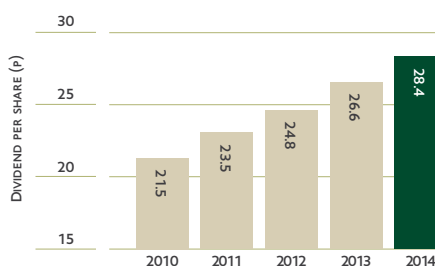


STRONG BALANCE SHEET AND ATTRACTIVE, GROWING DIVIDENDS

Our strong trading cash flow continues to fund attractive and growing dividends, while supporting investment and paying down debt.

Total dividend of **28.4P** Growth from 2013 **+6.8%**

Total dividend per share 2010–2014

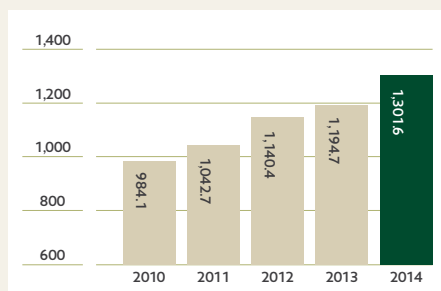


PERFORMANCE HIGHLIGHTS

It has been another successful year for Greene King with record sales and profits.

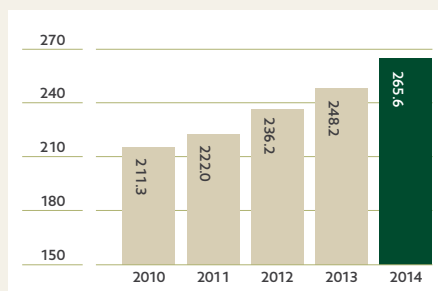
Revenue
(£m)

£1,301.6M +6.9%*



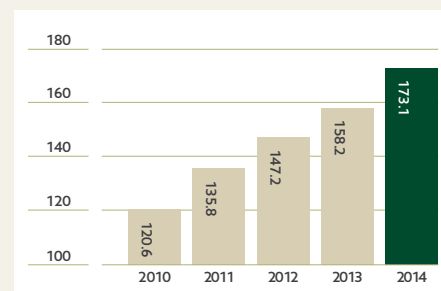
Operating profit before exceptionals
(£m)

£265.6M +5.0%



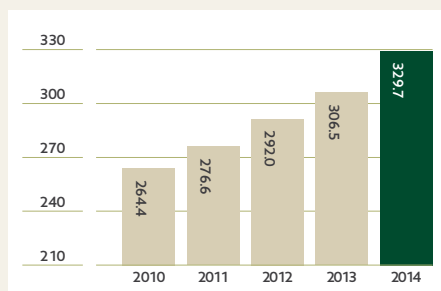
Profit before tax and exceptionals[†]
(£m)

£173.1M +7.4%



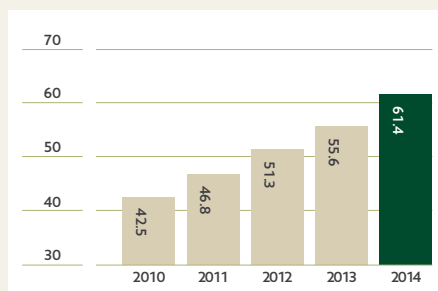
EBITDA^{***}
(£m)

£329.7M +5.5%*



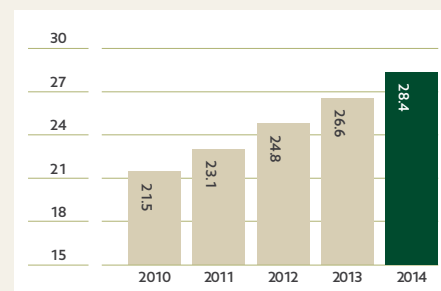
Adjusted basic earnings per share^{††}
(p)

61.4P +8.3%*



Dividend per share
(p)

28.4P +6.8%



- Free cash flow generation, after capital expenditure and dividends, of £67.9m.
- Further improvement in ROCE, up 30 basis points to 9.2%.

RETAIL

Revenue:

+9.4%

Operating profit:

+9.8%

PUB PARTNERS

Average revenue per pub:

+4.4%

Average EBITDA per pub:

+5.2%

BREWING & BRANDS

Revenue:

+4.5%

Core owned-brewed volume:

+4.6%

* Variances shown on an adjusted 52 week basis.

** As throughout, profit figures are shown before exceptional items.

*** EBITDA represents earnings before interest, tax, depreciation and exceptional items and is calculated as operating profit before exceptionals adjusted for the depreciation charge for the period.

† 2010–2013 adjusted for the impact of IAS 19(R).

CHAIRMAN'S STATEMENT

RECORD RESULTS

“

The total dividend for the year will be 28.4p per share, up 6.8%, maintaining our long-term track record of dividend growth.”



Results

We have delivered a strong financial result for the year, achieving record sales and profit. In a 53 week year, our revenue was up 8.9% to £1,301.6m and our operating profit before exceptional items was up 7.0% to £265.6m. Profit before tax and exceptional items was up 9.4% to £173.1m, while adjusted earnings per share were up 10.4% to 61.4p.

Dividend

As a result of another year of strong growth, the board has recommended a final dividend of 20.8p per share, up 6.9% on last year. This takes the total dividend for the year to 28.4p per share, up 6.8%. The final dividend is expected to be paid on 15 September 2014 to those shareholders on the register at the close of business on 15 August 2014.

Acquisitions

We continued to expand, and improve the overall quality of, our Retail business. We added 48 sites to our Retail estate through a combination of acquisitions and transfers from Pub Partners. The total cost of acquiring sites during the year was £24.3m. At the year end, we had a Retail estate of 1,032 sites, up from 888 sites when we started our Retail expansion strategy in 2009.

Disposals

We made further, significant progress on our non-core disposal plan in the year, selling, or transferring to Retail, 148 sites, taking the Pub Partners estate down to 1,165 sites, below what had been our strategic target of 1,200 sites. The total proceeds raised from disposals in the year were £38.4m, in line with book value. Since the year end, we have sold 275 non-core Pub Partners' pubs to Hawthorn Leisure, backed by May Capital, for £75.6m.

Board

In March, Matthew Fearn, our group finance director, began a period of extended absence due to serious illness. He has been undergoing treatment and we are hopeful that he can make a full recovery. While Matthew is away, we have appointed David Brown, our corporate finance director, to fulfil the role of interim group finance director. In this role, David is attending all our board meetings, but is not a main board director.

At the end of July, we will be saying goodbye from our board to John Brady. He will have served for nine years, during which time he has been a member of all three of the board committees. I would like to thank John for the contribution he has made through his independent views and valuable insight and we wish him well in the future.

People

We now have 23,000 people working for Greene King and every one of them has contributed to our success this year. The dedication that they show on a daily basis, particularly when interacting directly with our customers, is a key driver of our long-term record of growth.

I would like to express my thanks to all of them for the work they have done during the year in helping us to deliver these strong results. Going forward, they will remain crucial to further success as we remain focused on delivering sustainable value creation for our shareholders.

Tim Bridge
Chairman
2 July 2014

RETAIL

Food growth in Retail has been led in part by increasing our customisation offer. In our Farmhouse Inns pub restaurants, such as the Cherry Tree Farm in Wilmington, the carvery offer is now available in three different plate sizes with additional vegetable, potato and gravy choices.

► RETAIL
page 20





PUB PARTNERS

Pub Partners is focused on operating the right pubs, with the right people, on the right agreement, with the right offer. This Local Hero site, the White Lion in Baldock, is operated on a franchise-style agreement which is centred on cask ale.

▶ PUB PARTNERS
page 23





BREWING & BRANDS

Brewing & Brands' strategy is focused on our core brands such as Old Speckled Hen, the UK's no.1 premium ale brand, Greene King IPA and Abbot Ale. Core own-brewed volume growth in Take Home, which sells principally to supermarkets throughout the UK, was 18.2%.

► BREWING & BRANDS
page 25



Abbot
ALE

1.97

1.79

2.75

1.97

"OLD GOLDEN HEN"

"OLD SPECKLED HEN"
CRAFTED FINE ALE

alc. 5% vol.
DISTINCTIVE RICH MALTY TASTE
BUSTLING WITH CHARACTER, FRUITY
AROMA & DELICIOUSLY SMOOTH

"OLD SPECKLED HEN"
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DISTINCTIVE RICH MALTY TASTE
BUSTLING WITH CHARACTER, FRUITY
AROMA & DELICIOUSLY SMOOTH

ANOTHER SUCCESSFUL YEAR

“

We achieved record sales and profits during the year and also made good strategic progress across the business.”



Group revenue was:

£1,301.6M

Operating profit before exceptional items was up:

5.0%

Adjusted earnings per share grew:

8.3%

Profit before tax was:

£173.1M

Performance summary

It has been another successful year for Greene King with record sales and profits. In a 53 week year, we achieved profit growth of 11.9% in our key Retail business, further profit per pub growth in Pub Partners and a return to growth, on the back of market outperformance, at Brewing & Brands. We also made good strategic progress across the business, culminating in the announcement, at the end of the year, of the disposal of 275 non-core sites from Pub Partners.

Strong group revenue growth of 6.9%* was driven by a combination of Retail like-for-like (LFL) sales growth of 4.1%, supplemented by the positive impact of acquisitions and transfers during the year, and a contribution from the strong volume growth in Brewing & Brands. Staying close to our customers and meeting their needs through industry-leading value, service and quality are key to our continued LFL sales growth and in the year this approach drove LFL sales growth across all three of our markets – eating out, drinking out and staying out. Most months of the year also delivered strong LFL sales growth, although customers spent less in September after their summer spending, while February was held back by record rainfall.

Our revenue growth converted into operating profit growth of 5.0% at a slightly lower margin due to the impact of the changing channel mix as Retail grows its share of revenue, now at 74%, up from 72% last year, while Pub Partners becomes a smaller part of the business. Encouragingly, despite the continued pressure on margins from input costs, we managed to expand the Retail margin by ten basis points (bps).

Our strong operational performance led to profit before tax and exceptionals (PBTE) growth of 7.4%, adjusted earnings per share growth of 8.3%, free cash flow generation, after capital expenditure and dividends, of £67.9m and a 30bps increase in our return on capital employed (ROCE) to 9.2%, comfortably above our cost of capital.

These strong financial metrics gave the board the confidence to announce a dividend per share increase of 6.8%, maintaining our long-term track record of dividend growth.

Looking forward, while the impact of selling a significant number of non-core pubs will slow growth in the new financial year, a combination of an improving external environment, maintained sales momentum in Retail and the continuation of our successful Retail expansion programme should deliver strong and sustainable earnings and dividend growth for our shareholders.

* Unless otherwise stated, all numbers in this review are based on a 52 week year.

Strategic progress

We have now completed four years of our current five-year strategic plan to improve growth and returns to our shareholders. During the year we made further significant progress:

1. **Expanding Retail to 1,100 sites and improving estate quality.** We acquired or transferred in 48 sites to take the estate to 1,032 pubs, restaurants and hotels. The average weekly take (AWT) of the acquired or transferred sites was £30k, 68% above the existing estate average. Of these additional sites, 21 were

Hungry Horse sites, six were Old English Inns (OEI) and five were Metropolitan sites. We remain on track to reach 1,100 sites by the end of the five-year plan.

2. Reducing the Pub Partners estate, improving estate quality and maintaining our offer influence.

Against an initial target of 1,200 sites, we reached an estate of 1,165 by the year end following the disposal of 133 non-core sites and the transfer of 15 sites to Retail. This helped to drive average EBITDA* per pub up 5.3%. Just after the year end, we completed the sale of a further 275 non-core sites.

3. Maintaining industry-leading brand investment to strengthen our leadership position.

We again invested in our core ale brands to drive own-brewed volume (OBV) growth and UK ale market outperformance in Brewing & Brands. We increased our volume share of the UK ale market by 70bps to 11.3%**. We also invested £750k in the St Edmund Brewhouse to supplement our core brands with a range of innovative ale brands to further meet the growing consumer demand for choice, provenance and quality.

* Earnings before interest, tax, depreciation, amortisation and exceptional items.

** CGA Brand Index MAT to 19 April 2014, Nielsen Scantrack MAT to 24 May 2014.

Strategy update

As we near the end of our current five-year plan and given the pace of change in consumer behaviour, we are evolving a new five-year plan to take us to 2020, building on the progress we have made so far.

We have taken steps already to get even closer to our customers and to understand their behaviour. For example, we increased investment in our digital platform and we launched the Greene King Leisure Spend Tracker during the year, reporting monthly GB household spending on eating out, drinking out and other leisure activities.

Customer behaviour is increasingly dynamic, presenting constant challenges to the industry. Consumers are going out less but when they do they are demanding more choice and more control over what they eat and drink. Increasingly, they also like to treat themselves to more premium products. We responded to these trends by broadening our offering in key drinks categories such as premium lager, craft ale, wine and cider, and by offering increased customisation on our menus.

Customers are also demanding higher quality, more healthy options and better consistency in what they eat and drink. We carried out two benchmarking exercises on

key menu items to ensure we stay ahead of our competitors. As a result, we redesigned our burger offer, upgraded the quality of our steaks and added a number of healthier dishes to our menus. Importantly, we continue to win awards for the quality of our fish and chips, still our customers' favourite dish.

People are still looking for value and we saw an increase in the share of our sales from promotional activity, especially in food. In Loch Fyne Seafood & Grill, we increased communication of our offers through electronic direct mailing to our extensive customer database, while across Retail we broadened the number of sites with known value item pricing on lager.

In addition to addressing current trends, we have been working closely with the Trajectory Partnership, a leading consumer insight and futures consultancy, to analyse and identify forthcoming consumer trends in order to get a clearer understanding of how eating out and drinking out might change between now and 2025.

The main trends we have identified include:

1. 'Vertical families' – indicates the rising importance of inter-generational leisure occasions.
2. 'Digitalisation of leisure' – the increase in use of and access to technology in leisure.
3. 'Value hunters' – demonstrates that cost of living is likely to remain a central consumer issue.
4. 'Deregulation of life' – where different activities are less associated with specific times of day.

The implications of these trends for our business are significant and include the need to:

- develop sites and offers that cater for different generations at the same occasions;
- continue investing in our digital platform and our colleague training programmes to meet the challenges of a more demanding consumer, providing instant feedback to other customers;
- maintain focus on delivering great value for our customers, even as the economy improves; and
- make our sites more convenient for our customers by increasing the occasions they use our pubs by expanding our daytime offer and becoming less reliant on 'traditional' pub eating and drinking occasions.

Using the analysis of current and future consumer trends, we will evolve the current strategy to accelerate our Retail expansion and to move beyond conventional pub offers.

Specifically, our future strategy will focus on six key elements:

1. Open a minimum of 30 new Retail sites per annum.
2. Reposition and simplify the existing Retail estate to optimise growth and returns.
3. Further improve value, service and quality to our customers.
4. Investigate options to diversify the Retail offer, including potential acquisitions.
5. Reduce Pub Partners to 750 sites.
6. Maintain investment in Brewing & Brands to drive market outperformance.

Current trading and outlook

After eight weeks of the new financial year, LFL sales in Retail were up 1.1%. This performance mirrors the trends seen in recent industry reports, including the latest Greene King Leisure Spend Tracker, which showed a softening in GB eating and drinking out from April to May. We have also seen regional differences in trading with LFL sales at Metropolitan, our premium London pubs, up 7.4%, and LFL sales overall in the south up, while LFL sales in the north are down.

We have seen strong starts to the year in our other businesses. LFL net income in our core Pub Partners estate was up 3.5%, with Brewing & Brands OBV, helped by strong Take Home sales due to the World Cup, up 6.2%.

Looking ahead to the rest of the year, we anticipate an improvement in LFL Retail sales and continued momentum in both Pub Partners and Brewing & Brands. We also expect to add 50 to 60 new Retail sites in the year. As a result, we are confident of achieving another year of strong progress.

Rooney Anand
Chief executive officer
2 July 2014

OUR BUSINESS MODEL

Our business model is driven by a solid strategy to deliver long-term, sustainable returns and grow our market share in the UK. This is supported by robust corporate governance and corporate social responsibility, centred on our people and our customers.

BUSINESS MODEL

The Greene King business model balances strong cash generation with investment aimed at further positioning us towards long-term growth markets and thereby delivering sustainable growth and dividends for our shareholders.

- Our business model is supported by robust governance and corporate social responsibility, centred on our customers, our communities and our environments.
- We have over 1,900 pubs, restaurants and hotels and we brew the country’s leading cask ale brands. We operate through three main business units.
- Our strategy is focused on shifting our business towards the higher growth areas of our markets, which means increasing our exposure to our Retail business, while using the highly cash-generative nature of our Pub Partners and Brewing & Brands businesses to support this expansion.
- Underpinning our business model is a financial strategy to maximise the strength, flexibility and efficiency of our balance sheet, with the aim of supporting growth through investment in our existing estate and selectively acquiring new sites, while maintaining our progressive dividend policy.

➤ OUR STRATEGY

page 18

Building the best pubs and beer business in Britain

PUB PARTNERS

Cash generator

FUTURE STRATEGY

- reduce estate to 750 pubs for stable, modest growth prospects
- focus on asset/people quality
- back to basics with B2B approach and simplified agreements

BREWING & BRANDS

Cash generator

FUTURE STRATEGY

- focus on core brands and craft portfolio
- grow OBV to drive market share
- sector-leading sales and marketing investment
- low cost operating model

RETAIL

Principal driver of growth

FUTURE STRATEGY

- acquire minimum 30 new sites p.a.
- improve estate quality to drive growth and returns
- raise the hospitality ‘bar’
- increase exposure to eating out
- broaden usage occasions and extend daytime trading

Drives attractive shareholder returns: earnings and dividend growth

KEY BUSINESS DRIVERS

RETAIL

Our retail business is split into two divisions. We have 512 Destination Pubs and Restaurants sites, spread across a number of brands, including Hungry Horse and Loch Fyne Seafood and Grill, as well as the Metropolitan Pub Company, which primarily operates our premium London pubs. We also have 520 Local Pubs comprising mainly branded and unbranded pubs in local communities, with operating concepts such as Flame Grill and Meet & Eat.

- Our retail sales are determined by the number of customers we attract and the amount that they spend with us. Therefore, the success of Retail is driven by our customers' desire to eat and drink outside of their homes.
- Our principal revenue streams are food and drink available for consumption on our premises. We gain further revenue from our range of hotels, which offer overnight accommodation. A number of our sites also have gaming machines.
- We aim to attract customers to our pub, restaurant and hotel sites through the consistent provision of outstanding value, exceptional service and unbeatable quality. Our people are crucial in driving footfall to our sites, which is further supported by ongoing investment in expanding and maintaining our estate, investment in digital and overall innovation to ensure that we remain relevant to the customer in an environment of increasing consumer choice and expectation.

PUB PARTNERS

Our Pub Partners business offers entrepreneurs the opportunity to run our pubs in England and Scotland.

- We offer a range of agreements for tenanted pubs, leased pubs and franchised pubs.
- Revenue in our Pub Partners business is principally achieved through the supply of beer and other drinks to our licensees and the rent that they pay us to have access to the pub and our support. We also derive a small portion of revenue from gaming machines.
- The UK leased and tenanted pub industry has come under heavy scrutiny from industry associations and Government bodies in recent years resulting in the recent confirmation by The Department for Business, Innovation & Skills that they plan to set up a statutory code governing the relationship between pub companies and their tenants.
- We have continuously adapted our business model to improve licensee and pub sustainability through increasing our support to them and do not believe the introduction of a statutory code will make a material difference to this business.
- Core to our Pub Partners business is our ability to recruit and retain quality licensees, which we do through a focus on operating the right pubs, with the right people, on the right agreement with the right offer.

BREWING & BRANDS

Our Brewing & Brands division operates two breweries, one in Bury St Edmunds and the other in Dunbar, where we brew industry-leading brands such as Old Speckled Hen, Greene King IPA and Belhaven Best.

- We generate revenue in this division from the sale and distribution of ales produced by us in our own breweries, and from the sale and distribution of drinks (both alcoholic and non-alcoholic) produced by third parties.
- As well as to our internal customers in the other divisions, we also sell our ales to other pub companies and to individual free trade customers. A further important revenue stream for Greene King is the sale of our own-brewed ales to supermarkets and other retail outlets. An increasingly important channel for Greene King is the export market, where we sell to a wide range of countries both within Europe and further afield.
- Although the total UK ale market is in decline, there are still channels of growth within the sector and we have successfully adapted our business model in Brewing & Brands to pursue these channels.
- Our focus in Brewing & Brands is the operation of a highly efficient brewing model that facilitates industry-leading investment and delivers consistently high service and quality levels. This focus has driven the continuing market outperformance of many of our ales.

OUR MARKETS

In each market, we aim to grow our market share utilising our industry-leading brands, our high quality asset base and our talented teams.

MARKET OVERVIEW

We compete primarily in the UK drinking out, eating out and staying out markets. In each market, we aim to grow our market share utilising our industry-leading brands, our high quality asset base and our talented teams. Over the last 12 months we have met those aims within Greene King Retail, our largest and fastest growing business. Beer volumes per pub in Pub Partners, our tenanted, leased and franchised division, have also outperformed the UK on-trade beer market, while own-brewed volumes of our core ale brands have outperformed the total UK ale market.

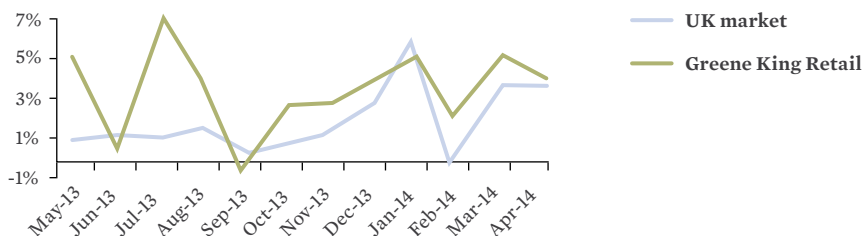
Environmental analysis

Political

One of the biggest issues facing the industry at the moment is the uncertainty of the current political landscape, whether it be the Scottish independence referendum in 2014 or the UK general election in May 2015. As we invest a significant proportion of our cash in our pubs, restaurants and hotels, and in our people, we prefer more certainty of policy direction and decision making. We are looking closely at different potential outcomes from these two events and will consider them as part of our ongoing strategic review.

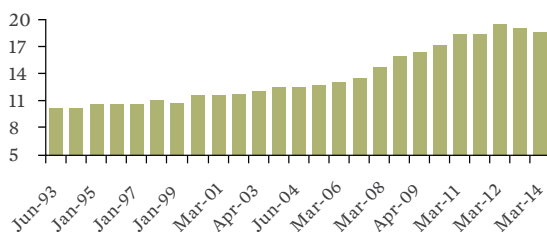
Once again, the UK government has been inconsistent in its approach to the UK beer and pubs industry over the last 12 months. There was another welcome cut of 1p per pint in beer duty and the removal of the alcohol duty escalator for wines, spirits and cider. We support the principle of reforming Progressive Beer Duty, whereby small brewers currently receive a significant subsidy for brewing beer, creating a distorted market for beer in the UK. We also believe that a VAT cut for food sold in pubs and restaurants would help to boost investment and jobs in the industry, although we recognise this is unlikely in the short to medium term.

GREENE KING RETAIL LFL SALES VS UK PUB/RESTAURANTS*



* Based on monthly Coffey Peach Business Tracker.

BEER DUTY (£ PER 1% ABV/HL)*



* <https://www.uktradeinfo.com/Statistics/Pages/TaxAndDutybulletins.aspx>.

As regards the tenanted and leased pub industry, we believe that self-regulation of the relationship between pub companies and licensees is the best approach. We have, after all, successfully operated tied agreements with licensees for over 200 years. The government has, however, proposed a bill to introduce a statutory code to govern this relationship, notwithstanding the unintended consequences this code might generate. If a law is brought in to artificially rebalance the share of income from a pub asset between landlord and tenant, then it is likely

that less investment will be made in that asset by the landlord, less support given to the tenant and more costs added for the tenant to bear.

We maintain our support for an alcohol minimum unit price (MUP). We believe MUP, alongside other measures such as improved alcohol education, can be a highly effective measure in reducing irresponsible retailing and consuming of alcohol, thereby helping to reduce the costs to society of rising alcohol-related illness and crime.

Economic

The macro-economic picture improved over the course of the year with GDP growth accelerating, unemployment falling and inflation reducing. This has led to an improvement in consumer confidence. However, we did not see that improvement convert to significant increases in volume and cover sales or spend per head within Retail during the year. In the second half of the year, we did though see a slight softening in monthly ‘payday spikes’ as customers felt under less financial pressure towards the end of each month. London and the south-east remain more buoyant than the rest of the UK.

We are more likely to see material changes to our trading patterns once the UK consumer experiences sustainable real income growth, which we are hopeful we will see during the next 12 months. Even when that occurs though, we will need to continue delivering exceptional value, service and quality to our customers to ensure we win our fair share of any incremental discretionary spend against the potential pent-up demand for ‘bigger-ticket’ items.

Social

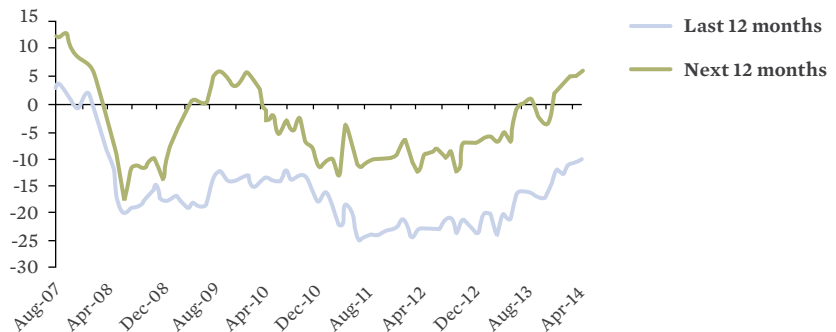
UK alcohol consumption continues to decline for a combination of reasons – some social, some health related and some economic. With the exception of premium ale, which saw 5.7% volume growth* in the year to April 2014, beer consumption remains in steep decline, averaging a 2.7% decline in each of the last 10 years*.

We continue to see consumers choosing to drink alcohol at home – with beer consumption in the on-trade declining by 2.1% in the year to April 2014*, and growing by 4.4% in the off-trade over the same time period*. Continuously improving home comforts are partly responsible, as is a further widening of the price differential between the on- and off-trades. It now costs over 2.5 times as much to buy a pint of beer in the on-trade as it does in the off-trade*.

Improved affordability and increasing time pressures are contributing to a growing spend on eating out in the UK. The average growth rate per annum for spend on eating out in pubs and restaurants is +1.3% between 2011 and 2014**, helped by average growth per annum of 6.6% in branded managed pubs**, reflecting the consumer’s growing preference for great value casual dining occasions. The Greene King Leisure Spend Tracker has highlighted the extent to which eating out has become an integral part of family socialising and major calendar events.

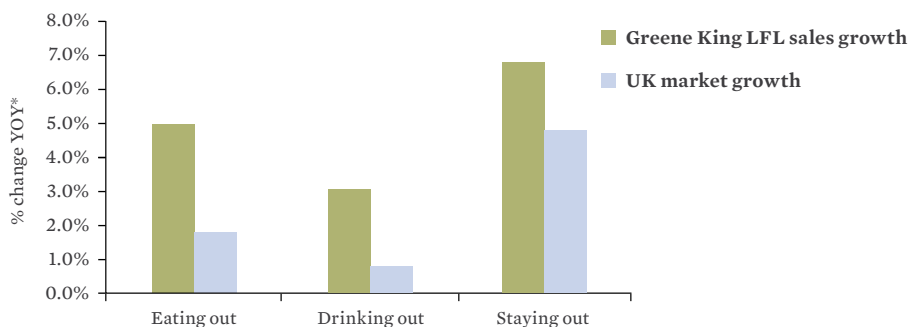
The UK provincial staying out market is gaining momentum as the economic recovery builds and inbound tourism continues to grow – offsetting a small drop in domestic ‘staycations’. RevPAR (revenue per available room) grew by 4.8% in the UK provinces in 2013*** and is forecast to grow by a further 3% in 2014***.

CONSUMER CONFIDENCE IN PERSONAL FINANCIAL SITUATION*



* Monthly GfKNOP report.

GREENE KING PERFORMANCE



* Greene King figures are based on the company year, adjusted for 52 weeks. Eating out market numbers are based on Allegra Project Restaurant 2014, drinking out market numbers are based on CGA Brand Index to April 2014, and the UK staying out market numbers are based on PWC UK forecast update 2014 and 2015.

Greene King performance

We continue to outperform in our core markets of eating out, drinking out and staying out. In our Retail business LFL food sales were up 5% in our financial year, compared with growth in the UK eating out market of 1.7%. LFL drink sales in our Retail business grew by 3.2% against the UK drinking out market, which grew by 0.7%. Lastly, LFL accommodation sales in our Retail business grew by 6.8%, outperforming the UK staying out market, which grew by 4.8%.

This outperformance has been further enhanced by our expansion programme, and by total Retail sales. We now have market shares of 0.8%, 2.3%, and 0.1% in our markets of eating out drinking out and staying out respectively.

* BBPA April 2014.
 ** Allegra – UK restaurant market 2014.
 ***UK Hotels forecast update 2014 and 2015.

OUR STRATEGY

Building the best pubs and beer business in the UK.

RETAIL



Our priorities for 2013/14

Our key priorities were to grow our Retail estate towards our 2015 target of 1,100 sites, to improve the overall estate quality and to increase our exposure to the UK eating out market.

KPIs

1. Number of sites
2. Like-for-like sales
3. Average EBITDA per site
4. Food as a percentage of sales

PUB PARTNERS



Our priorities for 2013/14

Our key priority was to reduce the size of the Pub Partners estate towards our 2015 target of 1,200 sites. We also aimed to improve the overall estate quality and to continue to exert greater influence over the customer offer in our tenanted sites.

KPIs

1. Number of trading sites
2. Average EBITDA per site
3. Number of franchise or franchise-style pubs

BREWING & BRANDS



Our priorities for 2013/14

The key priorities for our Brewing & Brands business during the year were to grow our core brand own-brewed volume (OBV) and market share through investment in our brands, to stabilise EBITDA and to improve operational efficiencies.

KPIs

1. Core brand OBV
2. Market share
3. EBITDA

Performance

- 1,032 at year end, up from 987 at the start of the year
- + 4.1%
- +5.4%* to £234.9k
- 41% of sales, up from 40% last year

Plans for 2014/15

We intend to continue our estate expansion during the forthcoming year, adding around 50–60 sites to the estate through a combination of new builds, pub and hotel acquisitions, and transfers from Pub Partners. We aim to drive LFL sales growth across all our key sales categories leading to an improvement in EBITDA per site. We believe Retail can get to 45% food sales share over the next few years.

Read more

For a more detailed review of Retail, please turn to page 20.

Performance

- 1,149 at year end, down from 1,269 at the start of the year
- +5.2%* to £61.7k
- 46 sites

Plans for 2014/15

We will continue to target disposals during the year to continue the estate reduction plan and reach around 750 sites by 2018. As well as achieving further average EBITDA growth per site, we also aim to increase the number of sites operating under a franchise or franchise-style agreement and further innovate the model to share risk and reward better with our partners.

Read more

Further information on Pub Partners' progress can be found on page 23.

Performance

- +4.6% in the year vs ale market down 1.6%
- +0.5%pts to 14.3%
- Unchanged* at £36.1m

Plans for 2014/15

We are aiming for another year of volume growth in our core brands, supported by a range of innovative brands brewed in the new St Edmund Brewhouse, in order to increase further our market share. We will continue our focus on innovation and will also continue to reposition the business towards the Take Home and Export markets.

Read more

Turn to page 25 for more detail on Brewing & Brands.

* Variances shown on an adjusted 52 week basis.

RETAIL

Our Retail division comprises 512 destination pubs and restaurants and 520 segmented local pubs across Britain, appealing to a broad range of the population.

HIGHLIGHTS OF THE YEAR:

Like-for-like sales

+4.1%

Like-for-like food sales

+5.0%

Operating profit

+9.8%*

Sites acquired

48

Revenue

£963.0M +9.4%*



74%

OF TOTAL REVENUE

* Variances shown on an adjusted 52 week basis.



Greene King Retail again performed well, delivering strong growth and further strategic progress. LFL sales growth of 4.1% compared to 2.4%* sector growth, meaning we achieved another year of strong outperformance. LFL sales growth was well balanced through volume growth of 1.9% and price, mix, and spend per head improvements of 2.2%. Growth was achieved across all the main sales categories, with food LFL sales up 5.0%, drink LFL sales up 3.2% and room LFL sales growth up 6.8%. Food generated over 41% of total Retail sales.

* Coffer Peach Business Tracker.

Total revenue was £963.0m, up 9.4%, driven by a particularly strong performance in Local Pubs, a 3.7% increase in the average number of sites trading and more favourable weather in the second half compared to last year. The AWT was up 5.5% to £18.0k as the overall quality of our estate continues to improve. Retail delivered operating profit of £187.7m, up 9.8%, with the 10bps improvement in the operating margin in the first half sustained through the year, reflecting positive drink and food price/mix effects, supported by tight cost control, but tempered by ongoing inflationary pressures including in rent and rates.

There are a number of key factors driving the continued success of Greene King Retail. Fundamental to our operational approach is putting customers at the heart of our business, building and sustaining their confidence in our brands and rewarding their loyalty. We constantly evolve our offer to ensure we stay relevant in an environment of increasing customer choice and expectation.

1. Exceeding customer value, service and quality expectations

– **Value.** We strive to offer value across all brands and segments. We rolled out a ‘Golden Years’ offer in OEI and a ‘Two courses for £3.99’ offer for over 60s in Meet & Eat. New weekly offers were introduced in Hungry Horse, such as ‘Little Hooves Tuesday’, where kids can eat for a pound with every adult meal purchased, and ‘Thank Horse it’s Thursday’, where customers can choose a free starter or dessert with any ‘Big Plate Special’.

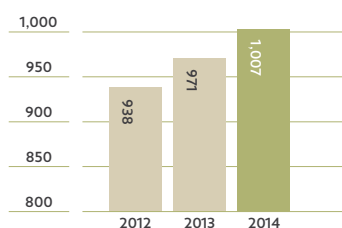
– **Service.** We aim to provide industry-leading service standards. Hungry Horse won a national award at the Annual Customer Experience Awards and continued to implement initiatives, such as the trial of an ordering application and the extension of a self-serve kiosk trial, to further enhance the customer experience. Overall, our net promoter score, as measured by guest satisfaction, has increased 1.8% to 58.9%. In our food supply chain, we increased first time product availability by 13bps to 99.7%, further improving the reliability of product supply to our sites, giving greater and more consistent choice for our customers.

– **Quality.** As part of our strategy to continuously improve quality, we introduced a 28-day aged Black Angus steak in Flame Grill and 30 wines served in Retail won prestigious Sommelier Wine Awards. Of the 30, 23 were specifically selected for Greene King by our own Master of Wine.

KEY PERFORMANCE INDICATORS

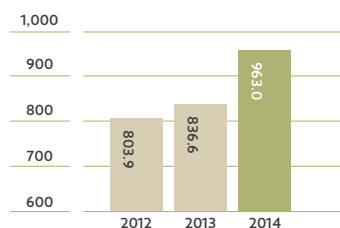
Average number of trading sites (number)

1,007 +3.7%



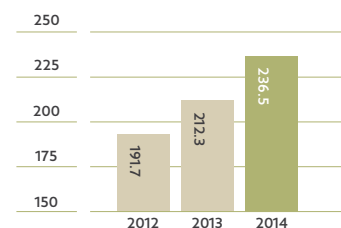
Revenue (£m)

£963.0M +9.4%*



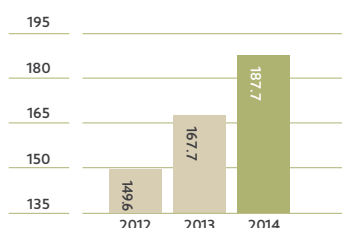
EBITDA (£m)

£236.5M +9.3%*



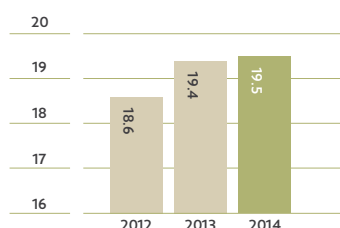
Operating profit (£m)

£187.7M +9.8%*



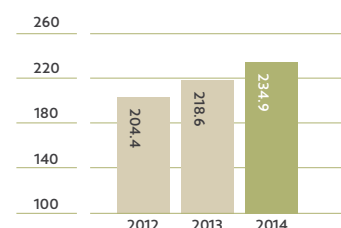
Operating profit margin (%)

19.5% +0.1%PTS



EBITDA per site (£k)

£234.9K +5.4%*



* Variances shown on an adjusted 52 week basis.

OPERATIONAL REVIEW CONTINUED

RETAIL CONTINUED

2. Broadening customer appeal through growth categories

Part of our strategy is to increase our share of the £48bn* UK eating out market by increasing our provision of all-day food and drink, encompassing the broadening of our customer appeal through categories such as food, wine and coffee.

* Allegra UK Restaurant Market 2014.

Menu innovation during the year included the widening of our range of sharing platters, the launch of a new mid-week sizzler menu in OEI and, in Hungry Horse, the addition of new dishes such as the 'Jumpin' Jack Jalapeño Burger'.

Looking to maximise the hot drinks opportunity, we have introduced unlimited Big Bean coffee with breakfast in Hungry Horse and Joe's Tea into our premium Local Pubs while, just after the year end, we launched own label coffee in Farmhouse Inns.

As a result of our initiatives, LFL food sales grew 5.0%, with total food sales, on a 53 week basis, up 15%, total wine sales up 9% and total coffee sales up 7%.

3. Understanding key customer trends such as convenience, customisation and health

We previously identified three key consumer trends in eating out. Innovating to meet these trends is a significant driver of our food growth:

- **Customisation.** The new Flame Grill menu has 11 different meat and fish grilling options. The carvery offer at Farmhouse Inns, which accounts for over 30% of the brand's food sales, is now available in three different plate sizes and with additional vegetable, potato and gravy choices.

- **Convenience.** Our Cakeaway offer, launched in 2013 in Hungry Horse, continued to grow strongly with sales up 47% to £1.1m. We also launched a weekend breakfast offer in Hungry Horse aiming to appeal to a broader range of eating out occasions.

- **Health.** We introduced a new 'Skinnylicious', under 600 calorie section of the menu in Meet & Eat, while a menu redesign in Flame Grill increased the number of healthier options available. A five-a-day salad now features on all Mainstream High Street menus.

4. Continuing investment in our core estate

In total, we spent £76.7m on repairing, maintaining and improving the quality of our existing Retail estate, of which £29.4m was expansionary capital. In addition to a number of smaller schemes, development spend comprised a number of projects in excess of £70k in 126 sites, or 12% of the estate. These developments achieved an annualised EBITDA return of 30%.

5. Further aligning our estate to our customers through targeted acquisitions

In the year, we increased our trading estate by a net 45 sites, having acquired or transferred in 48 sites and disposed of three non-core sites. This took our estate to 1,032 pubs at the year end. Of those new sites, 14 were single site acquisitions, 19 were new-build openings and 15 were transfers from Pub Partners. The new-build openings included our first new-build site in Scotland and the 200th Hungry Horse site.

6. Employing the best trained and motivated people in the sector

3,900 colleagues have been on an apprenticeship programme since February 2011 with 2,200 qualifying and an ongoing retention rate of 75%. Our progress was recognised, becoming a Top 100 Apprenticeship Employer and coming runner-up in the national competition at the National Apprenticeship awards. We also saw year on year improvement of 2%pts in our employee engagement score to 77% and launched a new internal HR system, called 'GKi', which gives every colleague online access to Greene King and allows us to speak directly to all 23,000 colleagues across the business.

7. Increasing investment in our expanding digital platform

We again invested more resource in digital to better understand our customers and to communicate more effectively with them. Traffic on our websites grew 59%, helped by website redesigns in Hungry Horse and Loch Fyne, while visits via mobile devices were up 97% to 4.4m, representing 39% of total visits. Our online hotel sales and table reservations were up 40% and 61% respectively, while our Facebook followers rose more than threefold to 793,000. We sold over £1m of Greene King gift cards and we saw a 32% increase in loyalty card holders.



Linwood Farm, our first new build site in Scotland.



A sandwich on offer in our Farmhouse Inns pubs.

PUB PARTNERS

Pub Partners is responsible for operating our tenanted, leased and franchised pubs across Britain and aims to ensure that each pub has the right licensee to operate it, on the right agreement, with the right offer.

HIGHLIGHTS OF THE YEAR:

Revenue per pub

+4.4%*

Franchise or franchise-style sites

46

Licensee retention

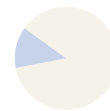
85%

Average tenure

5 YEARS

Revenue

£149.6M -4.5%*



11%

OF TOTAL REVENUE

* Variances shown on an adjusted 52 week basis.

OUR AGREEMENTS:

- Touchstone and Touchstone +Plus tenancy agreements
- Access tenancy
- Horizon lease
- Meet & Eat franchise
- Local Hero franchise-style



OPERATIONAL REVIEW CONTINUED

PUB PARTNERS CONTINUED

It was another successful year for Pub Partners with good trading and further strategic progress. This culminated in an agreement to dispose of 275 non-core sites to Hawthorn Leisure for a total consideration of £75.6m. Excluding this agreement, net disposal proceeds in the year totalled £31.8m, representing an average historic EBITDA multiple of 10.3x and against a total book value of £33.6m.

On 8.5% fewer pubs, Pub Partners achieved revenue of £149.6m, down 4.5%. Average revenue per pub was up 4.4%, driven by per pub increases in beer volume and rental income. EBITDA was £74.9m, down 3.7%, although average EBITDA per pub was up 5.2% and LFL net income in the core estate was up 2.2%. Operating profit was £65.3m, down 5.9%, with the operating margin down 70bps to 43.6%. The difference in performance between EBITDA and operating profit was due to a higher proportion of capital repairs as opposed to revenue repairs, compared to the previous year.

While challenges in the tenanted and leased industry remain, Pub Partners plays an important role in Greene King through generating significant cash for the group, adding material purchasing scale and providing attractive yields on smaller pubs. As it stands,

the proposed statutory code for pub companies is not expected to have a material impact on Pub Partners' profitability.

Pub Partners is focused on operating the right pubs, with the right people, on the right agreement, with the right offer.

- **Right pubs.** During the year, we disposed of 133 non-core sites, transferred 15 to Retail, and announced an agreement to sell a further 275 non-core tenanted sites to Hawthorn Leisure. We invested £20.9m in our core estate, up from £16.2m last year. Successful developments in the year included the Station in Bury St Edmunds, the Weathercock in Woburn Sands and the White Lion in Baldock.
- **Right people.** We launched quarterly open days for prospective licensees, including a National Open Day in Bury St Edmunds. These proved popular, increasing our future licensee talent pool and helping to let difficult sites. We introduced social media training courses for licensees and courses for business development managers (BDM) and head office teams to promote marketing and communication. One of our BDMs was named BDM of the year at the 2013 Association of Licensed Multiple Retailers awards.

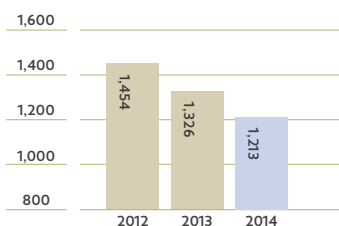
- **Right agreements.** We now have 259 Touchstone or Touchstone Plus tenancies and 46 franchise or franchise-style agreements including 26 Local Hero sites. We plan to add another 20 franchise or franchise-style sites in the new financial year. 70% of our trading estate, or 818 sites, operated under a form of free-of-tie agreement, highlighting the flexibility of our agreements and our increasingly competitive range and pricing.
- **Right offer.** We continue to help our licensees improve their offer where appropriate. We used our scale to drive new Sky subscribers to the estate and generated £750k of licensee discounts, while we funded the rollout of Cask Marque across our Head Brewer's Cask Club. We successfully introduced cider and beer festivals to the estate with over 500 sites taking part in our Easter beer festival.

As a result of these initiatives, average licensee tenure reached five years at the year end with first year licensee retention in the core estate improving 2%pts to 85%. We also achieved our lowest ever number of temporary agreements, at 16, and lowest ever levels of licensee overdue debt.

KEY PERFORMANCE INDICATORS

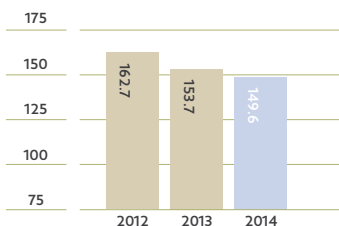
Average number of trading sites (number)

1,213 -8.5%



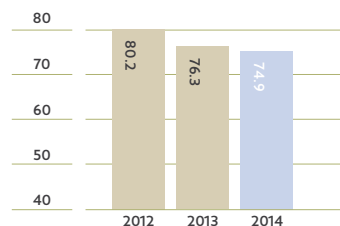
Revenue (£m)

£149.6M -4.5%*



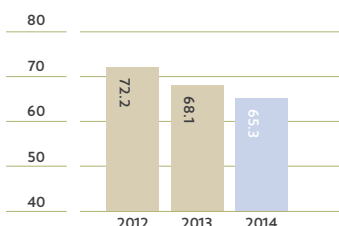
EBITDA (£m)

£74.9M -3.7%*



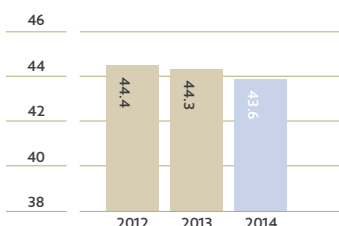
Operating profit (£m)

£65.3M -5.9%*



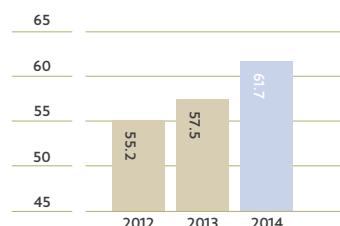
Operating profit margin (%)

43.6% -0.7%PTS



Average EBITDA per pub (£k)

£61.7K +5.2%



* Variances shown on an adjusted 52 week basis.

BREWING & BRANDS

Brewing & Brands sells and distributes a wide range of award-winning craft ales to both the on- and off-trade. They are brewed in one of our two breweries, in Bury St Edmunds and Dunbar.

HIGHLIGHTS OF THE YEAR:

- Core own-brewed volume +4.6% against ale market -1.6%
- Ale market share +0.5% to 14.3%
- £750k investment in St Edmund Brewhouse
- New product development 10% of total volume

* Variances shown on an adjusted 52 week basis.

Revenue

£189.0M +4.5%*



OUR CORE BRANDS:



OPERATIONAL REVIEW CONTINUED

BREWING & BRANDS CONTINUED

Brewing & Brands' strategy is to drive OBV through a focus on core brands, supplemented by the growing range of small-batch, innovative brands from the St Edmund Brewhouse, while operating an efficient cost base. This facilitates sector-leading investment in sales and marketing and generates significant cash for the group.

Following a better second half, core OBV was up 4.6%, outperforming a UK ale market down 1.6%*. As a result, we increased our ale market share by 70bps to 11.3%**.

Revenue was £189.0m, up 4.5%, while operating profit reached £30.4m, down 0.7%.

This performance was driven by Old Speckled Hen, the UK's no.1 premium ale brand. Led by strong growth in Take Home, the brand family grew 12.9% by volume against a premium ale market up 5.7%*. Greene King IPA volume was slightly down on last year due to lower tenanted and leased volumes, although we gained further market share against a UK standard ale market down 4.9%*.

We continued to reposition the business towards the Take Home and Export markets. Core OBV growth in Take Home was 18.2% and we are now the UK's no.1 ale brewer in the off-trade by value**. Our core Export volume grew 5.4%, led by growth in emerging markets.

We again invested in our industry-leading ale portfolio, including the continuation of our Greene King IPA 'crafted for the moment' campaign and sponsorship of the Greene King IPA rugby union Championship in England.

New beers, including Belhaven Black and Old Golden Hen, performed well, with sales of Old Golden Hen almost doubling versus last year. Overall, new product development volume was up 61% and accounted for 10% of total volume.

Innovation is key to our continued outperformance and in November we opened the St Edmund Brewhouse to brew and pack a range of innovative craft beers

off shorter runs with a broader range of raw materials. Four brands from the new brewhouse, St Edmunds, Strong Suffolk, Double Hop Monster and Yardbird, won Gold Awards at the 2014 Monde Selection awards, along with four of our existing ale portfolio.

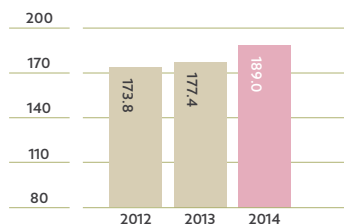
* BBPA.

** CGA Brand Index MAT to 19 March 2014, Nielsen Scantrack MAT to 24 May 2014.

KEY PERFORMANCE INDICATORS

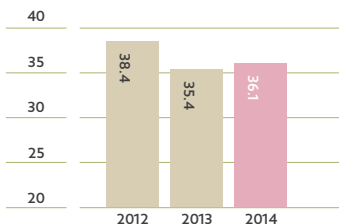
Revenue (£m)

£189.0M +4.5%*



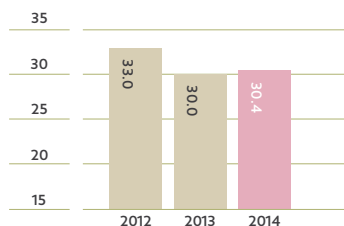
EBITDA (£m)

£36.1M UNCHANGED*



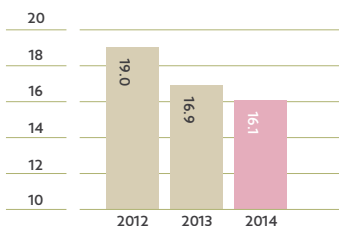
Operating profit (£m)

£30.4M -0.7%*



Operating profit margin (%)

16.1% -0.8%PTS



* Variances shown on an adjusted 52 week basis.

FINANCIAL REVIEW

STRONG OPERATIONAL PERFORMANCE

“

The benefits of our consistent and clear strategy to deliver earnings and dividend growth continue to be seen in the performance of the group.”

Revenue up

6.9%

Profit before tax and exceptionals

+7.4%

Dividend per share

28.4P

ROCE up 30bps to

9.2%

Results

Revenue grew to £1,301.6m, an increase of 6.9%*. The biggest driver of this growth continues to be our Retail estate, where revenue grew 9.4% and average revenue per site rose 5.5%. Our Retail estate now accounts for 74% of group revenue and will continue to grow its share as we make further progress with our Retail expansion strategy. Total revenue in Pub Partners was down 4.5% from 8.5% fewer pubs, although average revenue per pub increased 4.4%. Brewing & Brands grew revenue by 4.5%.

Operating profit before exceptionals was £265.6m, up 5.0%. Group operating margins fell by 40bps to 20.4%, reflecting the ongoing changes to business mix, continuing inflationary cost pressures, particularly in our Brewing & Brands business, and reducing Pub Partners rental income. Despite these inflationary pressures, our control over costs and cash remains strong with the Retail operating margin growing 10bps to 19.5%.

Net interest costs before exceptional items of £92.5m were only 0.8% higher than last year, due to strong cash flow management and a small reduction in the IFRS pension interest charge.

PBTE was £173.1m, an increase of 7.4%. Adjusted earnings per share of 61.4p were up 8.3%, benefiting from the reduction in the effective tax rate. Statutory profit before tax was £105.2m, down 5.2% on a 53 week basis, as a result of the impact of exceptional items, summarised below.

* Unless otherwise stated, all numbers in this review are based on an adjusted 52 week year.

Tax

The effective rate of corporation tax (before exceptional items) was 23% compared to 24% in the previous year, resulting in a charge to operating profits (before exceptional items) of £39.8m. This is in line with the standard UK corporation tax rate and is expected to remain in line.

The group's business strategy generates revenue, profits and employment, all of which deliver substantial tax revenues for the UK government in the form of duties, VAT, income and corporation tax. In the year, total tax revenues paid and collected by the group were £400m (2013: £375m). The group's tax policy, which has been approved by the board, aligns with this strategy and ensures that the group fulfils its UK tax responsibilities, while also structuring its operations in a tax-efficient manner. There are a number of uncertain tax positions in relation to transactions over the last ten years and an estimate of the expected total payment relating to these transactions is included within the tax creditor of £46.5m (2013: £41.1m).

FINANCIAL REVIEW CONTINUED

Exceptional items

We recorded a net exceptional charge of £37.2m, consisting of a £66.2m charge to operating profit before tax, a £1.7m charge to finance costs and an exceptional tax credit of £30.7m. Full details are set out in note three and the principal items are as follows:

1. On 1 May 2014, we announced the disposal of 275 non-core pubs from Pub Partners, leading to an impairment charge of £34.2m, £19.6m in respect of the carrying value of the assets and £14.6m relating to goodwill allocated to these sites. This disposal completed on 2 June 2014. The disposal proceeds from other non-core pubs and properties sold in the year were in line with net book value, and a charge of £6.4m relating to allocated goodwill has been recognised.
2. An impairment charge of £22.0m was made against the carrying value of a small number of our pubs where specific market conditions impacted trading.
3. In a prior period, the group received a refund of £7.0m from HMRC in respect of VAT on gaming machines, the application of which was deemed to have contravened the EU's principle of fiscal neutrality. HMRC appealed the decision and on 30 October 2013, following hearings involving the Rank Group plc, the Court of Appeal found in favour of HMRC. While Rank has applied for leave to appeal this latest decision, HMRC has enforced the protective assessments issued at the time and repayment of the £7.0m refund and associated interest of £1.7m are shown in exceptional items.
4. In addition to a tax credit of £10.5m in respect of the above items, the exceptional tax credit of £30.7m includes a deferred tax credit of £18.8m, arising from the reduction in the rate of corporation tax to 20%, effective from 1 April 2015, a deferred tax credit of £6.5m, in respect of the licensed estate, and a £5.1m charge in respect of prior periods.

Cash flow

Operating cash flows continue to be strong. We generated free cash flow (FCF) of £67.9m, up from £63.1m, and comfortably ahead of our scheduled debt repayments of £29.4m. EBITDA was £329.7m, up 5.5%, from 3.4% fewer pubs.

We disposed of 136 sites as part of our strategy to improve the quality of our estate with the cash proceeds totalling £38.4m. We also made good progress with our strategic Retail expansion plan, adding 48 new pubs to our Retail estate, investing £82.9m.

Capital expenditure

We also invested in maintaining and developing our core estate, in addition to growing the size of our Retail estate. Total expenditure during the period was £169.6m.

Capital expenditure on the core estate, including maintenance capital, was £82.3m, an increase of £2.9m. A further £24.3m was invested in acquiring single sites and £58.6m was invested on these, previously acquired sites and transfers from Pub Partners. In addition, £4.3m was spent on reinstating fully insured fire-damaged sites.

Net debt and treasury

Net debt at the year end was £1,435.6m, a reduction of £14.8m from the previous year end, with the key movements being positive FCF of £67.9m, disposal proceeds of £38.4m and the continued investment in growing our Retail estate, through new sites, of £82.9m.

Our high quality pub estate supports £1,211.7m of securitised bonds with amortisation of £29.4m and a weighted average maturity of 13 years.

At the start of the year, we announced the purchase, at par, of the entire £60m tranche of the ABI bond. This was financed from bank loan facilities, which were increased to £460m and extended until June 2018. These facilities were £280m drawn at the year end.

Our credit metrics remain strong with interest rate hedges in place for 95% of the variable rate net debt and a blended average cost of debt of 6.0%. Fixed charge cover has improved slightly to 2.8x, while interest cover has improved to 3.0x. Group net debt to EBITDA reduced to 4.4x and will continue to improve as we maximise the annual EBITDA returns from our investments. Our securitised vehicle had a free cash flow debt service cover ratio of 1.5x at the year end, giving 29% headroom.

Dividend

The board has recommended a final dividend of 20.8 pence per share, up 6.9%. This will be paid on 15 September 2014 to shareholders on the register at the close of business on 15 August 2014.

The proposed final dividend brings the total dividend for the year to 28.4 pence per share, up 6.8%. This is in line with the board's policy of maintaining a minimum dividend cover of two times underlying earnings, while continuing to invest for future growth, and maintains our long-term track record of annual dividend growth.

Pensions

The group maintains two defined contribution schemes, which are open to all new employees. The group's two defined benefit schemes are all closed to new entrants and to future accrual.

At the year end, there was an IAS 19 pension deficit of £52.2m, which compares to £63.8m at the previous balance sheet date. The movement is primarily due to an increase in the market value of the schemes' assets over the period.

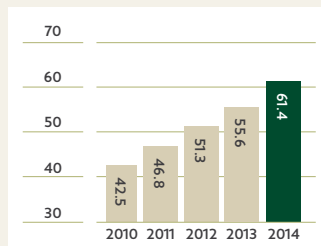
Total cash contributions in the period under the schemes' deficit recovery plans were £7.3m.

IAS 19 (revised 2011) has been applied retrospectively from 30 April 2012. Other finance expenses include a £2.5m pension finance charge and the comparative figures for the period to 28 April 2013 have been restated and now include a £2.7m IAS 19 finance cost. The impact of the application of the revised accounting standard is shown in note 11.

KEY PERFORMANCE INDICATORS

Adjusted basic earnings per share (p)+

61.4p



Summary

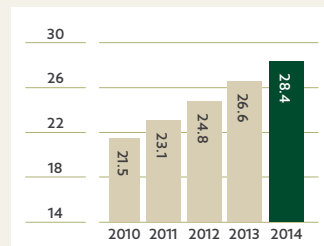
Strong growth coupled with improving trading profit margins and the impact of a reduction in the group's effective tax rate result in earnings per share of 61.4p, an increase of 8.3%* compared to last year.

Definition

Profit for the period attributable to equity holders, excluding the effect of exceptional items, divided by the weighted average number of shares in issue during the period excluding own shares held.

Dividend per share (p)

28.4p



Summary

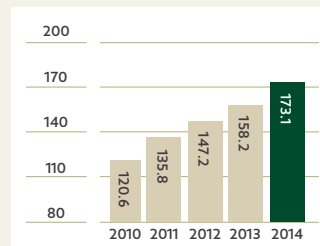
Following another year of strong growth and continued cash generation, the board recommend a final dividend payment of 20.8p per share, 6.9% ahead of last year. The total dividend per share for the year of 28.4p is 6.8% ahead of last year.

Definition

Total dividend per share paid and proposed in respect of the period.

PBTE (£m)+

£173.1M



Summary

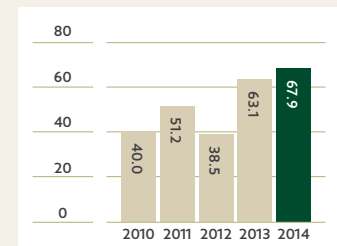
Profit before tax and exceptionals of £173.1p is up 7.4%* compared to last year. Operating profits increased by 5.0%* with interest costs increasing by 0.8%* compared to last year.

Definition

Group profit for the period after financing charges but before tax and exceptional items.

Free cash flow (£m)

£67.9M



Summary

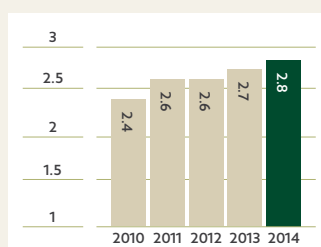
Operating cash flows remain strong and we generated free cash flow of £67.9m, up from £63.1m in the previous year, and comfortably ahead of our scheduled debt repayments of £29.4m.

Definition

Free cash flow is the movement in net debt due to operating cash flows, after interest payments, tax payments, core capex and dividends, but excluding exceptional items, acquisitions, disposals and share movements.

Fixed charge cover

2.8x



Summary

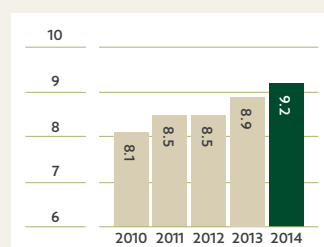
Our overall credit metrics remain strong with fixed charge cover improving to 2.8x from 2.7x last year.

Definition

Fixed charge cover is calculated using the formula EBITDAR (operating profit before depreciation, rent and exceptionals) less maintenance capex divided by the sum of interest and rent.

Return on capital employed (%)

9.2%



Summary

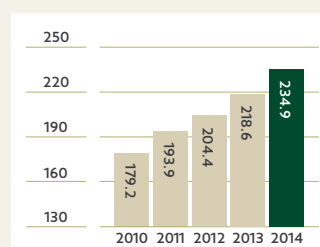
Strong operational performance and capital disciplines, coupled with our consistent strategy of investing trading cash flows and disposal proceeds into expanding our retail estate have resulted in our return on capital employed increasing by 0.3%pts to 9.2%.

Definition

Return on capital employed is calculated by dividing pre-exceptional operating profit by average capital employed throughout the year. Capital employed is defined as total net assets excluding deferred tax balances, derivatives, post-employment liabilities and net debt.

EBITDA per site: Retail (£k)

£234.9k



Summary

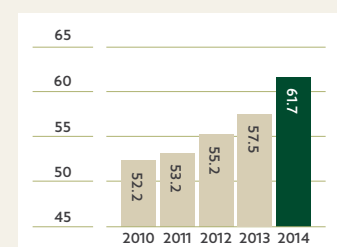
Strong growth and improving margins combined with further strategic progress as we improve the size and quality of our retail estate have led to Retail's EBITDA per site growing by 5.4%*.

Definition

EBITDA (operating profit before depreciation and exceptionals) divided by the average number of trading sites in the period.

EBITDA per pub: Pub Partners (£k)

£61.7k



Summary

Our strategy to reduce the size of the Pub Partners estate, improve estate quality and increase our offer influence has seen EBITDA per pub grow by 5.2%*.

Definition

EBITDA (operating profit before depreciation and exceptionals) divided by the average number of trading pubs in the period.

* Variances shown on an adjusted 52 week basis.

+ 2010–2013 adjusted for the impact of IAS 19(R).

RISKS AND UNCERTAINTIES

We have a formal risk management process which is designed to identify, assess and prioritise risks within the business, so that their impact on sustainable profitability is minimised and the group is able to deliver our business plans and strategic objectives, as well as to maximise shareholder returns.

The board retains ultimate responsibility for the company's risk management framework and reviews the group's principal risks on an annual basis. The board has delegated responsibility for assurance for the risk management process to the audit committee, which regularly reviews the risk management processes for each division and functional area. The implementation of risk management and internal control systems is the responsibility of the executive directors and other senior management.

Each division and functional area is tasked with maintaining, reviewing and regularly updating a risk register. Classification of risks takes into account the likelihood of their occurrence and the scale of potential impact (both financial and reputational) on the business. Each division and functional area is then responsible for evaluating current controls and drawing up plans to improve controls and manage new risks. Progress of these risk implementation plans is monitored by senior management on a regular basis. In addition, a company-wide risk committee reviews the individual risk registers in detail,

monitors the risk mitigation plans and assists in the production of the group risk register.

Given that some risks are external and not fully within our control, the risk management processes are designed to manage risks which may have a material impact on our business, rather than to fully mitigate all risks.

This section highlights some of the key risks and uncertainties which affect Greene King, but it is not intended to be an exhaustive analysis of all risks facing the business.

STRATEGIC RISKS

SPECIFIC RISK AREAS	POTENTIAL IMPACT	MITIGATION	MONITORING/ASSURANCE
To achieve our Retail expansion plans we need to be able to acquire existing pubs, smaller pub businesses and brown or greenfield sites on which to build new pubs. The upturn in the economy has resulted in increased activity meaning more businesses competing for the same sites.	A failure to find and secure the acquisition (and development where appropriate) of top quality sites could reduce our rate of growth in the future. We risk costs creep due to the supply and demand on land, materials and labour.	We maintain a pipeline of sites (currently 100+) available for purchase and have expanded our team of acquisition managers responsible for securing new sites. We have also moved into new areas such as transport hubs. Our in-house property development team is employed to help deliver new-build projects on time and on budget.	Regular updates are provided to management as to the status of potential acquisitions and of development progress for new-build sites or major conversions of acquired pubs. Monthly estate plan meetings are held to discuss progress.

ECONOMIC AND MARKET RISKS

SPECIFIC RISK AREAS	POTENTIAL IMPACT	MITIGATION	MONITORING/ASSURANCE
The wider economic situation within the UK continues to affect consumer confidence, with a consequential impact on levels of consumer spending in our pubs and those of our tenants and lessees. We also face increasing competitor activity.	Consumers spending less in our pubs whether due to concerns over interest rates, spending on large ticket items elsewhere, or significant competitor activity, could reduce our revenue and lead to lower growth rates.	By focusing on value, service and quality we aim to continue to appeal to a broad range of consumers. We have a wide geographic spread of pubs including the more affluent areas of London and the south-east, and a good range of customer offers. We provide ongoing training, operational and financial support for our tenants alongside continued agreement innovation to ensure that more of our tenants are able to run profitable businesses.	The executive teams and the board receive regular updates on performance. Competitor activity is monitored at both a strategic and tactical level to enable suitable actions to be developed in response. All business units keep and update profit protection plans. Our Pub Partners division constantly monitors the vital signs of our licensee health, including debt levels and the numbers of tenancies at will.

ECONOMIC AND MARKET RISKS CONTINUED

SPECIFIC RISK AREAS	POTENTIAL IMPACT	MITIGATION	MONITORING/ASSURANCE
Inflationary trends increase the costs of our key products, including food, drink and site services including utilities.	Higher costs could impact margins and lead to reduced profitability.	We have contracts in place with major suppliers designed to protect us against significant increases in major cost items and against price volatility. We continually evolve the composition of menus and retail prices to optimise value to the customer and profits for the company.	All costs, including labour, are closely monitored by the executive teams to ensure that they remain in line with budget.

OPERATIONAL AND PEOPLE RISKS

SPECIFIC RISK AREAS	POTENTIAL IMPACT	MITIGATION	MONITORING/ASSURANCE
An event or series of events (including poor service standards and food provenance issues) may occur which damages our brand in the eyes of our customers, particularly in the age of increasing use of social media.	Customers may stop visiting our sites or visit less frequently, leading to a loss of revenue and reputational damage.	We maintain tight controls to protect and enhance our reputation and brand values, alongside staff training, targeted investment programmes and mystery guest visits. Incident escalation and management systems are also in place. We have upweighted technical support in key areas including product recall procedures.	We have introduced a new supplier assurance programme to enable us to give appropriate assurances to our customers as to the provenance of the food in our pubs. Our new e-commerce team monitors social media comments about us. Third party audits on food take place regularly to ensure standards are being maintained.
We are reliant on information systems and technology for many aspects of our business.	An inability to quickly recover key operating systems could impact our ability to do business and cause reputational damage. Loss or theft of personal data belonging to our customers or employees (including by cyber attack) could also cause reputational and financial damage.	Our networks are protected by firewalls and anti-virus protection systems and back-up procedures are also in place. A business continuity plan is in place for critical business processes. We have access to an off-site disaster recovery facility in the event of a major issue with our head office or our systems. A working party has been established to review data security and drive improved behaviours and response management. A data security manager has been recruited.	The IT department constantly monitor threats to data protection by viruses, hacking and breach of access controls. The business continuity plan is also regularly reviewed and tested.
We are reliant on a number of key suppliers and third party distributors to supply our pubs and restaurants and are also at risk of an event occurring which may prevent us from producing, packaging and distributing our own beers.	Supply disruption (whether of our own beers or any third party products) could impact customer satisfaction. Additionally a key supplier or distributor failure could over the longer term reduce our revenue or lead to increased costs if alternative arrangements are required.	Detailed risk management and mitigation plans exist in our internal production and distribution activities. Our key suppliers are expected to maintain disaster recovery plans. We also maintain back-up plans in the event of the failure by or loss of a key supplier.	Risk mitigation and product recall plans are reviewed and tested regularly across the business and disaster recovery plans of suppliers are reviewed regularly.
We are reliant on the quality of our employees and our licensees.	A failure to attract, develop, retain, motivate and (in the case of senior employees) plan for the succession of the best employees across our expanding Retail business may mean that we are not able to execute our business plans and strategy. A failure to attract and retain good quality licensees will impact our Pub Partners business.	A branded recruitment plan is in place with a strong pipeline of suitable candidates. Remuneration packages are benchmarked to ensure that they remain competitive. Career development programmes are in place to retain key employees and leadership training has been introduced for all levels of management. Exit interviews are conducted with all retail managers to enable action plans to be developed to deal with key leaver reasons. Upgraded apprenticeship schemes are provided through a new supplier. The range of tenancy agreements, training programmes and support available is designed to attract and retain the best quality licensees.	Our annual employee engagement survey is used to obtain direct feedback from employees on a range of issues. Both staff and licensee turnover is measured and reviewed by relevant management teams.

RISKS AND UNCERTAINTIES CONTINUED

REGULATORY RISKS

SPECIFIC RISK AREAS	POTENTIAL IMPACT	MITIGATION	MONITORING/ASSURANCE
The government has confirmed that it proposes to introduce a statutory code to manage the relationship between pub companies and their tenants which could have significant implications for our Pub Partners division.	A mandatory statutory code, particularly if it introduced greater controls on how pub companies can deal with their tenants, could increase costs for Pub Partners and reduce revenue.	We will continue to engage actively with government in relation to its proposed plans. We have increased resources within Pub Partners compliance team to ensure the voluntary code is complied with and will review resources again if a statutory code is introduced.	The regulatory landscape is monitored on an ongoing basis by our public affairs team, so we remain aware of any potential changes which may adversely impact our business. Arrangements to monitor compliance with any new statutory code will be reviewed once details are confirmed.
We are required to comply with a wide range of health and safety legislation, including in the areas of food safety and fire safety, across all parts of our business.	A major food safety or health and safety incident which causes serious illness, injury or even loss of life to one of our customers, employees or tenants could have a significant impact on our reputation.	We have a comprehensive range of formally documented policies and procedures in place to ensure compliance with current legislation and approved guidance in this area, as well as our own high standards. Our health and safety policies are continually reviewed by our primary authority partner, Reading Borough Council, which has rated our safety management systems as very good. Safety levels for new tenants have been improved, and safety measures are in place to ensure that product integrity is maintained and that all food and drink products are fully traceable.	We have a centrally managed system of compliance tracking (KPIs), which is validated by both internal and independent external audits carried out at all Retail sites to measure performance against certain strict health and safety standards including food safety and fire safety. Operational managers are regularly briefed on performance and remedial actions are tracked from the centre. We also make use of external benchmarking.

FINANCIAL RISKS

SPECIFIC RISK AREAS	POTENTIAL IMPACT	MITIGATION	MONITORING/ASSURANCE
Our financing structure requires us to be able to repay capital borrowed and interest on time and to ensure that we operate within certain financial covenants.	Breaching our financial covenants would have a significant impact on our ability to pay dividends or reinvest cash back into the business. It could also impact our reputation and ongoing creditworthiness.	Our long-term strategy and yearly business plans are formulated to ensure that financial covenants can be met. Our securitised vehicle had a free cash flow debt service cover ratio at the year end of 1.5x, giving 29% headroom. Under our bank facility we had 75% headroom on the key net debt/EBITDA covenant.	We regularly monitor our performance against our financial covenants, including stress testing. Working capital is carefully forecast, regularly reviewed by the finance teams and closely managed.
We are reliant on maintaining robust systems of internal control to deal accurately with the large numbers of transactions undertaken by the business and to ensure compliance with statutory obligations particularly with regard to taxation.	Inadequate internal control systems increase the risk of fraud being perpetrated against us. Non-compliance with statutory obligations or a material misstatement in the reported results of the company could damage our reputation.	Our systems of internal control, more details of which appear on page 48, include robust controls, appropriately qualified staff, segregation of duties and authority levels for expenditure and payments. Appropriate advice is taken to ensure relevant statutory compliance and there is regular board oversight of open tax positions and the group's tax policy.	Regular management accounts are produced for each area and reviewed in detail, to enable irregularities to be exposed. There is a detailed external audit of our statutory accounts.
We maintain two defined benefit pension schemes which must be funded to meet the required benefit payments. The value and funding of the schemes are subject to the risk of changes in life expectancy, actual and expected price inflation and changes in investment yields.	The difference in value between the schemes' assets and liabilities may vary, resulting in an increased deficit being recognised on our balance sheet. The volatility of this deficit makes longer-term planning more difficult.	All the schemes are now closed to future accrual to reduce volatility.	There is regular monitoring of the schemes' investments and dialogue with the trustees on an ongoing basis regarding funding requirements.

CORPORATE RESPONSIBILITY

As one of the leading UK pub retailers and brewers, it is vital that we operate a sustainable and responsible business. We are committed to the maintenance and delivery of an effective social responsibility programme.

OUR FOCUS

This year, we continued to focus on our impact on four key stakeholder areas: our customers, our communities, our people and our environment. We continue to make good progress in our corporate social responsibility (CSR) and details of our CSR policies can be found in the social responsibility section of our website, www.greeneking.co.uk.

OUR CUSTOMERS

We extended the range of healthy food choices on our menus

➤ **OUR CUSTOMERS**
page 34

OUR COMMUNITIES

We have raised £903,086 for Macmillan Cancer Support in two years

➤ **OUR COMMUNITIES**
page 36

OUR PEOPLE

We will recruit 2,000 apprentices this year

➤ **OUR PEOPLE**
page 37

OUR ENVIRONMENT

We have invested £500,000 in converting the brewery boilers to gas

➤ **OUR ENVIRONMENT**
page 38

OUR CUSTOMERS

2.9M

units of alcohol have been removed from circulation in the UK

FIVE A DAY

Several of our kids' menus offer 'five a day' pick and mix options

173

English managed pubs belong to a recognised Pub Watch scheme

Pubs have an important role to play for customers, families and communities across the country and provide safe, affordable and convenient hospitality.

Our commitment to delivering industry-leading value, service and quality to our customers is supported by our strong retail brands, our dedicated teams and our ongoing investment in innovation, which combine to deliver the best experience possible for our customers.

Healthy eating

This year we appointed a nutrition manager, demonstrating our commitment to moving nutrition to the top of our agenda. The role supports the development of healthier menu options for our customers and manages our continued commitment to the government's Public Health Responsibility Deal food pledges, specifically to lower the levels of salt within our supply chain and to remove artificial trans fats.

We achieved solid results with salt reduction in key product lines, including our kids' sausage, where we saw a 24% reduction, and a 22% decrease in our beef burger. In conjunction with these results, we are currently in the process of reviewing the salt content of several of our top ten product lines.

We extended the range of healthy food choices across our menu brands. This summer we introduced a range of 'five a day' salads to promote the intake of a variety of fruit and vegetables, supporting government recommendations. We also expanded the range of 'fewer than 500 calories dishes and will continue to develop this area of our menu. Several of our kids' menus were changed to offer a wider range of 'five a day' pick and mix options. In some of our Destination and Local Pub sites, our kids' menus allow children to customise their order, and highlight healthy options, which enable them to make healthier eating decisions.

The investment in our supplier management system this year enabled us to have greater visibility of the nutritional and allergen content of our products, allowing us to provide more detailed nutritional and allergen reports across our retail estate.

In response to the growing demand for non-gluten containing dishes, all of our menu brands now offer a range of non-gluten options. As part of our menu development

process, we will continue to review and develop the range going forward.

Our focus for the future is to continue to expand our nutritional expertise along with developing our menus with lower calorie and healthier options for our customers.

Food standards

We are committed to delivering and actively promoting excellent food and kitchen standards. In our Retail business, we set to do this by training, external audits, open dialogue with local authorities and operational incentive schemes. We also work with our tenants to support them in achieving excellent food standards.

Quality standards for our beers

The Westgate Brewery in Bury St Edmunds and the Belhaven Brewery in Dunbar both maintained an A grade rating with the British Retail Consortium. These awards confirm that our beer is produced to the highest quality and food safety standards.

We launched a quality and dispense services department in our Brewing & Brands division, combining the functions of the Cellar Service and Trade Quality teams. The aim of the team will be to support pubs with training on how to care for and serve real ale to improve beer quality.

Our commitment to quality was recognised as ten of our beers received Monde Selection Quality Awards this year. We were awarded eight gold and two silvers for our beers, including the newly launched Yardbird and Double Hop Monster, as well as our much loved favourites Abbot Ale and Old Golden Hen.

Responsible retailing

Tackling under-age sales

We created an online employee training system to improve how we attempt to reduce and prevent under-age sales of alcohol. The training course must be completed and passed before our staff can serve alcohol.

Our Retail premises continue to operate the 'challenge 21' or 'challenge 25' programmes, which are regularly audited to ensure notices are displayed advising customers that these programmes are in force.

We also support the principles laid out in the Portman Code of Practice on responsible retailing of alcohol. All retail managers and our bar staff are trained upon recruitment and ongoing to ensure they understand their role in promoting the responsible consumption of alcohol by our customers.

Best Bar None and Pub Watch schemes

We are working with National Best Bar None to re-launch the scheme to improve its profile and membership. At a more local level, we are working with the local authority to roll out Best Bar None across the county of Suffolk.

In England, 173 of our managed pubs belong to recognised Pub Watch schemes and a further 64 have, or are currently, signed up to Best Bar None award schemes within their area. Additional schemes across the UK are currently on hold.

Last year, 15 of our pubs were accredited with Best Bar None status, some of which were awarded best in specific categories or overall winner.

The Best Bar None Scheme in Scotland saw almost 100% of sites able to take part and resulted in these sites being fully accredited with numerous winners of categories and schemes.

Limit awareness

Once again we supported the Government's anti-drink drive Christmas campaigns. This year was the fifth consecutive year that we supported the Designated Driver Christmas Campaign, in conjunction with Coca-Cola Enterprises Limited, throughout our retail estate, where designated drivers were offered free soft drinks at Christmas.

Minimum unit pricing for alcohol

Greene King has long advocated the need for a minimum unit price (MUP) for alcohol in the UK in order to tackle the misuse of alcohol, which causes ill health and can lead to anti-social behaviour within communities. We remain committed to the introduction of minimum unit pricing.

Unit reduction in our beers

We are also committed to removing units of alcohol from our brand portfolio to help our customers drink sensibly and within guidelines. We reduced the alcohol by volume (ABV) in Old Speckled Hen bottles and cans from 5.2% to 5.0%, Belhaven Best in cans from 3.5% to 3.2%, and in Ruddles bottles and cans from 4.7% to 4.3%. This removed 2.9 million units of alcohol from circulation in the UK.

Public Health Responsibility Deal

We are currently signed up to eight pledges in the government's Public Health Responsibility Deal (PHRD) and progressed with these during the last year. The PHRD aims to tap into our potential to make a significant contribution to improving public health by taking a joint approach to tackling the challenges caused by lifestyle changes. By signing up to these pledges we are commit to taking action voluntarily to improve public health. For details of our signed pledges and our progress visit the Department of Health PHRD website, www.responsibilitydeal.dh.gov.uk.



OUR COMMUNITIES

Pubs will always play a vital role in the community. They are a place where everyone comes together to relax and to discuss issues that affect their neighbourhood. We recognise the value of that role within the social fabric of our society and how, for everyone, maintaining the presence of a pub in a community is essential. We have developed a programme to support key organisations that address the inequalities in our society.

Pub is the Hub

This year we supported Pub is the Hub by providing £15,000 of central funding. As a not-for-profit organisation, Pub is the Hub is dedicated to offering advice and support to licensees, rural pubs and community services.

Our funding supported the Community Services Fund. This fund provided support for 33,000 local people in their village communities through investment or planned investment, via the local pub, during the last 12 months. A further 24,000 people are anticipated to receive help from future projects.

Macmillan Cancer Support

Our first national charity partnership was launched in May 2012 and we committed to raise £1m over three years for Macmillan Cancer Support. The continued hard work and dedication to fundraising by our employees and generosity and support of our customers resulted in £903,086 raised in the first two years of the partnership.

The fundraising efforts during our second year included employees running marathons, throwing themselves from aeroplanes, swimming lakes, riding bikes and climbing mountains. We also diversified our fundraising efforts in line with our commitment to our charity partners by introducing donations on selected desserts across all divisions, raising £50,000; our contribution to Macmillan's World's Biggest Coffee Morning grew by 16% to £117,000; 50,000 wristbands have now been sold, helping to raise awareness of Macmillan's flagship 'Not Alone' campaign; and 162 Greene King employees took on the gruelling Yorkshire Three Peaks fundraising challenge.

After a busy and successful year for our charity partnership, we were delighted to be shortlisted for the Employee Engagement category of the Third Sector Business Charity Awards 2014. This recognises our investment and commitment to launch our first charity partnership and the incredible success in engaging our employees across the business.

Our £1m target is now within sight and we should reach it well ahead of schedule, although we will continue raising money through the remainder of the partnership.

Focus 12

Greene King continues to support the charity Focus 12, based close to our head office and brewery in Bury St Edmunds, Suffolk. Focus 12 provides treatment for clients with drug and alcohol dependency, as well as guidance and counselling for affected family members.

The annual Greene King Charity Ball, which historically raises more than £20,000 for Focus 12, enabling it to continue to support the local community and tackle the effects of alcohol and drug abuse, will be held in the autumn of this year.

CASE STUDY

Employees reach their peak by taking on their toughest challenge yet for Macmillan

On a perfectly sunny spring day in Yorkshire, 162 Greene King employees from all parts of the business took on the gruelling Yorkshire Three Peaks fundraising challenge for Macmillan.

We had pub managers, bar staff, chefs at Loch Fyne Seafood & Grill restaurants, head office employees and brewery workers all pulling together to raise as much money as possible for Macmillan and get as many of the team through to the end of the challenge. The target of £50,000 was comfortably beaten and nearly everybody on the team made it to the end before the sunset!

And this was no mean feat. The Yorkshire Three Peaks are the three largest hills in Yorkshire. We covered just over 25 miles walking up Pen-y-Ghent, Whernside and Ingleborough.



OUR PEOPLE

Our people are our lifeblood and our greatest asset. With 23,000 employees, it is important that we attract and retain the best people and developing and nurturing talent is essential to our continued success and the future growth of our business.

Employee engagement

There are many benefits to having engaged employees both from a work and individual point of view. We are pleased that we saw an increase in our employee engagement of 2%pts to 77%. This should imply an improved quality of service we provide our customers and a happier workplace. For the first time this year our annual attitude survey was managed 100% online and we also introduced smartphone technology.

The data is currently being reviewed across the business, which will result in agreed action plans for areas of improvement.

CASE STUDY

Apprenticeships

Greene King apprentice Isabelle Pearson is an assistant manager at the Three Ponds in Nottingham and has been shortlisted for the 2014 National Apprenticeship Awards. Isabelle progressed from part-time waitress to assistant manager, thanks to the support she has received through her apprenticeship.

Isabelle said: "I chose to become an apprentice as I wanted to further my education while developing my career. At each stage of my progression I found that the apprenticeship provided great support to me and helped to enhance my work performance. My apprenticeship has given me more confidence and knowledge to carry out tasks, showing me different approaches, methods and attitudes to all aspects of my career."



Gender diversity

	Male	Female	Total	Percentage female
Directors	6	1	7	14%
Senior managers (excluding directors)	125	33	158	21%
All employees	11,389	12,152	23,541	52%

Health and safety awards

This year, our Brewing & Brands division won the President's Award for occupational health and safety from the Royal Society for the Prevention of Accidents – an award only given to those organisations that achieve ten consecutive gold awards.

We received a gold award from the Royal Society for the Prevention of Accidents for the Management of Occupational Road Risk. Our Bury St Edmunds site was also given an International Safety Award with Merit from the British Safety Council.

Developing our talent

At Greene King, we recognise the wider benefits of developing internal talent and career paths that support increased employee retention, employee engagement and provide long-term career opportunities.

Apprenticeships

We signed up to the government's apprenticeship scheme in February 2011 and, so far, more than 3,500 employees have achieved a qualification. This year, we made a commitment to recruit over 2,000 additional apprentices. As our business grows, we are proud to offer the apprentices who join Greene King the opportunity to move straight onto a career path to allow them to fulfil their true potential.

Where we create new jobs when acquiring, refurbishing or building new businesses, we work closely with Job Centre Plus to provide opportunities through pre-employment training for the long-term unemployed and younger people.

Creating jobs

Through the opening of new sites for Hungry Horse and Farmhouse Inns we created 1,583 new jobs across the country in the last year.

Diversity

We operate an equal opportunities policy to ensure that employees are recruited, developed, remunerated and promoted on the basis of their skills and suitability for the work performed. We are committed to making full use of the talents and resources of all our employees and to ensuring that no employee receives less favourable treatment on the grounds of their colour, nationality, race, religion/belief, ethnic or national origin, sex, marital or civil partnership status, gender reassignment, disability or past disability, part-time or fixed term status, pregnancy or maternity, parental responsibilities, sexual orientation or age.

Zero hours

It is company policy not to operate 'zero hours' contracts.

Workplace pensions

We became fully compliant with Workplace Pensions Reform Regulations to enrol our employees automatically into a qualifying workplace pension in June last year.

Support for our tenants

Greene King has been helping people to run their own pubs for over 200 years. The level of support we provide for our tenants and lessees is central to attracting the best licensees to our pubs.

Our support is tailored to meet the individual needs of our licensees from industry-leading training for them and their staff, to online business support providing easy access to a wide range of marketing support. Additionally, improved support to drive cellar quality began this year, with new annual visits from a cellar expert from our Brewing & Brands dispense team to all Pub Partners' tenants, offering advice in their own cellar on how to improve and maintain beer quality.

This is all underpinned by our professionally qualified BDMS, who are dedicated to ensuring all licensees are making the most of their business.

OUR ENVIRONMENT

Our aim is to reduce the environmental impact of our business wherever we can. Particular areas of focus for us are on reducing our energy and water consumption and on reducing waste across on the business.

Energy

In terms of energy saving initiatives, our focus this year was on introducing more LED lighting into our pub estate, with more than 310 sites converting during the year, saving, on average, 9% of the total electricity usage at each site. Combined with previous conversions, over 40% of our Retail sites are now fitted with LED lighting.

We fitted 41 sites with voltage optimisers, reducing electricity usage, limiting wear and tear on electrical equipment and subsequently extending the life of the equipment. We also replaced 160 boilers across our Retail business to save energy and increase efficiency.

We continue to encourage our teams in head office, breweries and retail outlets to use energy considerably, making regular use of 'turn it off' campaigns.

We are continually investing in new technology to reduce energy consumption and emissions. In our Bury St Edmunds brewery, we invested £500,000 in converting the brewery boilers to gas from the previous light fuel oil, significantly reducing emissions. The Bury St Edmunds brewery also successfully passed its first triennial renewal of the ISO14001 environmental standard, following a five-day audit covering all operations in Bury St Edmunds, including the bottling hall.

Water

To help us identify sites that may have water leaks in underground pipes, we now have

water loggers installed in 190 of our pubs. We are working more closely with the 21 water companies that supply us to get their support for more frequent meter readings and audits which will help our managers identify and rectify excessive water use.

We also invested in a second water recovery stage in our Bury St Edmunds brewing water treatment process, generating annual savings of around 23,500 cubic metres of water. On a combined basis, our breweries use 3.87 barrels of water to produce every barrel of beer.

Water consumption, however, rose during the year, from 2.438m cubic metres to 2.688m cubic metres, largely due to an increase in the size of the Retail estate and the increase in food sales in the Retail estate.

Waste

We have continued to work hard to reduce waste across the business. We now have 232 sites where all of their waste is diverted from landfill and overall over 80% of our waste does not go to landfill. We remain signatories of the voluntary Food and Service Hospitality Agreement and have worked with WRAP on a number of initiatives to reduce food waste, optimise packaging and increase recycling rates.

Mandatory greenhouse gas reporting

We amended our environmental reporting to comply with the requirements of the Companies Act 2006 (Strategic and Directors' Report) Regulations 2013. The table below shows the main greenhouse gas emissions in tonnes of CO₂ equivalent (CO₂e) for our scope 1 (direct) and scope 2 (indirect) CO₂ emissions.

Scope 1 relates to the direct emissions from the fuels we use in our breweries, pubs,

restaurants, hotels and offices such as natural gas and liquefied petroleum gas. It also includes emissions from owned vehicles (including company cars) but excludes logistics where we outsource this to third parties. Refrigerant gas and F-gas emissions in respect of our breweries, pubs and restaurants are also included for 2013/14, although we do not have access to comparative data for the previous year.

We have used the UK government's GHG Conversion Factors for Company Reporting 2013 for all scope 1 emissions with the exception of GWP's for non-Kyoto refrigerants R22 and R401A equating to 0.5t CO₂e. GHG emissions from refrigeration and air conditioning units have been determined using the screening method as described in the Environmental Reporting Guidelines 2013 and equate to <1.0% of total reported emissions.

Scope 2 relates to the indirect emissions associated with the generation of electricity consumed in our sites. Emissions have been determined using the 2013 Carbon Reduction Commitment (CRC) Energy Efficiency Scheme factor.

Electricity and gas figures in the table below cover the CRC reporting period from 1 April to 31 March each year, whilst all other figures cover our respective financial years.

Gas consumption reduced during the year, helped by the mild, if wet, winter and spring, while electricity consumption was again impacted by the increased focus on food sales and the increased number of Retail sites. The chosen intensity ratio of CO₂e per £100k of turnover in our Retail and Brewing & Brands businesses is considered to be the most appropriate as the vast majority of our CO₂ emissions relate to those businesses.

	Source of emissions	2013/14 tonnes of CO ₂ e	2012/13 tonnes of CO ₂ e
Direct emissions – scope 1	Natural gas	41,414	42,174
	Gas oil	603	393
	Kerosene	2,052	3,729
	LPG	2,380	2,411
	Red diesel	277	102
	F-gas	1,634	n/a
	Owned vehicles	6,829	6,625
Indirect emissions – scope 2	Electricity	109,292	100,710
Gross emissions		164,481	156,144
Turnover in Retail and Brewing & Brands (£'000)		11,519	10,410
Tonnes CO ₂ e per £100k turnover		14.28	14.99

OUR PRIORITIES FOR 2014/15

Food assurance	Last year, we appointed a technical and quality manager who sits in our food buying team. One of the key priorities of this role is to continue to review our current reporting and measurement of quality and make recommendations on areas for improvement and monitor implementation.
Healthy eating	Our priority over the next year is to ensure that the business is compliant with new allergen legislation that is due to take effect in December 2014. We are currently working towards a more structured allergen management programme to ensure allergen information is available to customers on request.
Salt targets	As we continue to work towards our commitment of reducing salt in our supply chain, we are reviewing the salt content in several of our top ten product lines.
Responsible retailing	We understand the importance of supporting local communities to address issues around social and health harms. We are working with National Best Bar None, which promotes responsible management and operation of alcohol licensed premises, to re-launch the scheme to improve its profile and membership. At a more local level, we are working with the local authority to roll out Best Bar None across the county of Suffolk.
Charitable support	As we enter our third year in partnership with Macmillan Cancer Support, we are confident of delivering beyond our £1m target through fundraising activities across the business. Our businesses also provide significant fundraising to local charities.
Community pubs support	We will continue to help UK pubs to diversify into new services provision for their own communities. We have again supported Pub is the Hub with funding for a further year.
Improve employee engagement	It is our aim to continue to achieve year on year improvements in our employee engagement, which will be monitored through our employee engagement survey. We will work on how we can improve areas and maintain other high scoring questions.
Apprenticeships	We have pledged to recruit 2,000 new apprenticeships this year. We have recently appointed a new training provider so we can offer our people the most current and engaging programmes available.
Health and safety	We will continue to strive to identify and reduce health and safety risks and to improve the safety of our premises.
Alcohol education	While we have had an alcohol policy for some time, and we support treatment for employees who have dependency issues, we continue to look at implementing a new, company specific, alcohol education and awareness programme, to help prevent issues occurring and to highlight the impact of over-indulgence in alcohol.
Reduce CO₂	We will aim to reduce CO ₂ emissions in our existing estate and to improve the ratio of CO ₂ emissions to revenue in Retail and in Brewing & Brands. Energy saving systems will continue to be installed where possible or appropriate.
Reduce water usage	Our focus this year will continue to be on reducing water wastage across our Retail estate.
Reduce waste	We will continue to aim for improvements in our waste recycling programme, with a view to reducing the amount of waste sent to landfill.

BOARD OF DIRECTORS

Tim Bridge, DL (65)

Chairman

Commenced role – 2005
(Appointed to the board in 1977)

N

Having joined Greene King in 1970 Tim Bridge was appointed to the board in 1977. He held a variety of positions within the group, becoming managing director in 1990 and chief executive in 1994. In 2005 he stepped down as chief executive to take over the role of chairman.



Rooney Anand (50)

Chief executive

Commenced role – 2005
(Appointed to the board in 2001)

Rooney Anand joined the group as managing director of the brewing division and was promoted to chief executive in 2005. He was previously president and managing director of the UK bakery division at Sara Lee, the international consumer goods business, and, prior to that, at United Biscuits.



Matthew Fearn (49)

Finance director

Commenced role – 2011

Matthew Fearn joined Greene King in 2011 from Brakes Group where he was chief financial officer. Matthew previously gained extensive finance experience in the leisure sector with De Vere Group plc and Whitbread plc. Matthew is a member of the ICAEW.



John Brady (62)

Non-executive director

Commenced role – 2005

N R A

Having been a director of McKinsey and Company, the management consulting firm, until 2004 with experience in European retail and marketing, John Brady has an extensive background in strategy development. John is also a non-executive of Triumph Motorcycles Limited. John will be retiring from the board on 27 July 2014.



Mike Coupe (53)

Non-executive director

Commenced role – 2011

N R A

With current experience gained as an executive director on the board of a premium, listed company, Mike Coupe also brings knowledge of a large, multi-site retail organisation developed through his role as group commercial director and chief executive designate at J Sainsbury plc.



Ian Durant (55)

Senior independent non-executive director

Commenced role – 2007

N R A

As a former finance director at Liberty International Plc, Ian Durant contributes extensive financial experience to the Greene King board. Ian is also the chairman of Capital & Counties Properties PLC and Greggs plc and a non-executive director of Home Retail Group plc.



Lynne Weedall (47)

Non-executive director

Commenced role – 2012

N R

Lynne Weedall is currently group HR and strategy director for The Carphone Warehouse Group plc and brings to the board a wealth of experience of HR and organisational development gained from a variety of roles in the retail sector.



Key of committees

- N** Nomination committee
- R** Remuneration committee
- A** Audit committee

SENIOR MANAGEMENT

The senior management team comprises Rooney Anand, chief executive, Matthew Fearn, finance director, the managing directors of each of the group's business units and the heads of key functional areas, including commercial, HR and property. They meet once every four weeks under the chairmanship of the chief executive.

CORPORATE GOVERNANCE STATEMENT



Statement of compliance with the UK Corporate Governance Code

The company is subject to the UK Corporate Governance Code (the code) which is issued by the Financial Reporting Council and which is available at www.frc.org.uk. The code sets out guidance in the form of principles and provisions on how companies should be directed and controlled to follow good governance practice. Companies listed in the UK are required to disclose how they have applied the main principles and whether they have complied with its provisions throughout the financial year. Where the provisions have not been complied with companies must provide an explanation.

The board considers that the company has complied with the UK Corporate Governance Code dated September 2012 throughout the year.

The board

Board composition

As at the year end the board comprised the chairman, two executive directors and four non-executive directors. The board believes that the structure and size of the board is appropriate and that no single individual or group dominates the decision making process.

The non-executive chairman is Tim Bridge, the chief executive Rooney Anand, and the senior independent director Ian Durant. John Brady, who was appointed to the board as a non-executive director in 2005, will be retiring from the board on 27 July 2014.

The directors' biographies are on page 40.

Independence of non-executive directors

In compliance with the UK Corporate Governance Code, more than half of the board, excluding the chairman, are non-executive directors and the board is satisfied that all of these were independent throughout the year, in that they satisfied the independence criteria of the code on their appointment and continue to satisfy those criteria.

CHAIRMAN'S INTRODUCTION

Greene King is committed to good governance and believes it to be essential in helping the business to deliver its strategy, generate shareholder value and safeguard our shareholders' long-term interests. We also note the emphasis within the UK Corporate Governance Code on well balanced, effective boards, strong oversight of risk management, alignment of remuneration policies with shareholder interests and sound shareholder relations.

This year's corporate governance report and the reports from the board committees describe the operation of the board and explain how we applied the principles of good governance set out in the code during the year. Our committees are structured to ensure that the responsibilities of the board are carried out effectively and in line with best practice procedure.

We work hard to provide, in this report, the information you need to understand our business model and strategy for growth and to assess our performance towards our goals. As a result, your board believes this annual report and accounts, taken as a whole, is fair, balanced and understandable, as we confirm in the directors' responsibility statements on page 63. I would also encourage you to refer to our website www.greeneking.co.uk.

Although there have been no board changes, the board has nevertheless been focused on board succession issues, with the process to recruit a new non-executive director to replace John Brady, who will stand down at the end of July having completed nine years of service on the board, having begun during the year.

Our group finance director, Matthew Fearn, fell ill during the year and has not yet returned to work. The board appointed David Brown, the group's corporate finance director, as interim group finance director in Matthew's absence. We wish Matthew a full and speedy recovery.

The audit committee has continued its reviews of key accounting and reporting matters and its report includes fuller details of the work it has undertaken during the year, as well as explaining how significant issues were considered.

The remuneration committee continues to ensure that the remuneration of the directors is aligned with the interests of shareholders whilst at the same time motivating a successful team. The directors' remuneration report includes details of the remuneration paid to directors during the year as well as a number of other disclosures required by the government's new regulations on remuneration reporting.

Tim Bridge Chairman

Tim Bridge, the chairman, was not independent on appointment, having previously served as chief executive. However, the board is satisfied that he shows independent judgment, that his performance as chairman is effective and that he demonstrates continued commitment to the role.

Ian Durant is the senior independent non-executive director. He has never been employed by the company and has diverse

business interests. The board considers that he remained independent in both character and judgment, that his performance has been effective and that he has demonstrated commitment to the role. As well as supporting the chairman and acting as a sounding board for the chairman and an intermediary for other directors, a key responsibility for the senior independent director is to be available for direct contact from shareholders should they require.

Board independence and committee membership

Name	Independent	Nomination committee	Audit committee	Remuneration committee
Tim Bridge (chairman)	No	*		
Rooney Anand	No			
John Brady	Yes	*	*	*
Mike Coupe	Yes	*	*	*
Ian Durant	Yes	*	*	*
Matthew Fearn	No			
Lynne Weedall	Yes	*		*

CORPORATE GOVERNANCE STATEMENT CONTINUED

The board continued

Diversity

The board approves of the principle of trying to recruit more women into senior management and director roles. When making new appointments, the policy of the company is to recruit on merit for each role on offer, whether executive or non-executive. We set out a job specification and a profile of the likely characteristics, qualifications, experience and merits required before starting a search, and aim to find the individual who is best suited to the role, without prejudice between male and female candidates.

We currently have one female director on the board, Lynne Weedall, who is chairman of the remuneration committee. We have not set a percentage target for female representation on the board as we do not think it is the right way to address the issue for a board of seven people, where the key will be to ensure a suitable range of skills, experience and knowledge across the board members and where the issue of gender and diversity will be just one consideration taken into account when filling board vacancies.

Leadership

Role of the board

The board is collectively responsible for the long-term success of the company and for its leadership, strategy, control and management.

The offices of chairman and chief executive are separate and distinct and the division of responsibilities between them has been clearly established, set out in writing and agreed by the board.

The chairman is responsible for the leadership and effectiveness of the board and for ensuring that each non-executive director is able to make an effective contribution to the board through debate and discussion with the executive directors. He is also responsible for setting the style and tone of board discussions.

The chief executive's role is to develop the company's strategic direction and to lead senior management in executing the company's strategy and managing the operational requirements of the business.

The non-executive directors have a particular responsibility to ensure that the strategies proposed by the executive directors are

carefully examined and fully discussed, that the performance of the company is monitored and challenged and that the financial information provided is comprehensive and accurate. They are also responsible for ensuring, through the relevant committee, that appropriate remuneration arrangements are in place for the executive directors.

Operation of the board

The board has a formal schedule of matters which are reserved for its decision, including approval of the long-term objectives and strategy, approval of budgets and financial statements including the annual report, acquisitions and disposals, changes to the structure of the group and overall corporate governance issues. It reviews trading performance and considers major capital expenditure and acquisition opportunities.

The board has delegated certain responsibilities to standing committees, details of which are set out below. By delegating key responsibilities to these committees, the board is able to ensure that adequate time is devoted by board members to the oversight of key areas within their responsibility.

GREENE KING BOARD

The board is ultimately responsible for the long-term success of the company. Its principal responsibilities are to:

- Approve the group's long-term objectives, commercial strategy and the overall funding strategy
- Approve the budgets and financial statements, including the annual report
- Approve acquisitions and disposals
- Oversee the group's operations and review performance in the light of the group's strategy, objectives, business plans and budgets

	Nomination	Audit	Remuneration
Committees	<ul style="list-style-type: none"> – reviews structure, size and composition of the board; – makes recommendations for appointments; and – succession planning. 	<ul style="list-style-type: none"> – reviews and monitors full year and interim results; – monitors internal financial controls; – oversees external audit relationship; and – oversees risk management. 	<ul style="list-style-type: none"> – sets remuneration policy; – sets executive director remuneration and incentives; – approves annual performance objectives; and – approves granting of long-term incentives.
Members	Tim Bridge (Chairman) John Brady Mike Coupe Ian Durant Lynne Weedall	Ian Durant (Chairman) John Brady Mike Coupe	Lynne Weedall (Chairman) John Brady Mike Coupe Ian Durant
Details	Nomination committee report – page 45	Audit committee report – pages 46 to 48	Directors' remuneration report – pages 49 to 60

Day to day management and control of the business is delegated to the executive directors, business unit managing directors and certain key functional heads, who meet formally on a monthly basis together with other senior managers as appropriate.

Board meetings are scheduled to be held eight times a year, with main meetings linked to key events in the company's financial calendar, with the annual results and dividend being approved in June or July and the interim results and dividend in November or December. Regular agenda items include an overview of the market and current trading as well as a detailed review of financial performance against agreed targets.

There is a two-day meeting for the board in February each year focusing on strategy, with the business unit managing directors and heads of the main functional areas, namely commercial, HR and property, attending for part thereof. The strategy sessions include an in-depth review of relevant economic factors, management's projections for the medium term and provide the board with an opportunity to agree the strategic plans across all areas for the short and medium term. Following approval of the company's strategy, budgets are prepared for the next financial year to be approved by the board in April. The board also has a programme to review each business unit and main functional area in detail on a regular basis, with particular focus on the achievement of strategic objectives. The relevant managing director or functional head attends such meetings to present and answer questions.

The board has responsibility for determining whether the annual report, taken as a whole, is fair balanced and understandable to enable shareholders to assess the company's performance, business model and strategy. In coming to its view, the board took into account its own knowledge of the group, its strategy and performance in the year, the guidance given to all contributors to the annual report and a detailed review by senior management of the overall content.

Other matters specifically considered during the year included property acquisitions and disposals, financing, taxation, risk management and key group risks, the approval of new long-term incentive arrangements, committee terms of reference and delegated authority limits.

Between meetings, as required, the board can be in frequent contact to progress the company's business and, if necessary, board meetings can be held at short notice. Where possible, however, ad hoc committees of the

Attendance at scheduled meetings held during the year is set out below:

	Board	Nomination committee	Audit committee	Remuneration committee
Executive directors				
Rooney Anand	8/8	—	—	—
Matthew Fearn*	6/8	—	—	—
Non-executive directors				
Tim Bridge	8/8	2/2	—	—
John Brady**	7/8	1/2	3/3	2/3
Mike Coupe***	8/8	2/2	3/3	1/1
Ian Durant	8/8	2/2	3/3	3/3
Lynne Weedall	8/8	2/2	—	3/3

* Matthew Fearn was unable to attend meetings in March and April 2014 due to his current illness.

** John Brady was unable to attend one board meeting, nomination committee meeting and remuneration committee meeting for family reasons.

*** Mike Coupe was appointed to the remuneration committee with effect from 29 April 2014.

board are appointed to deal with matters which it is known will need to be dealt with between scheduled board meetings. It is expected that all directors attend board and relevant committee meetings, unless they are prevented from doing so by prior commitments. If directors are unable to attend meetings in person or by telephone they are given the opportunity to be consulted and comment in advance of the meeting.

Board papers are circulated seven days prior to each board or committee meeting to ensure that directors have sufficient time to review them before the meeting. Documentation includes detailed management accounts, reports on current trading, reports from each business unit and main functional areas and full papers on matters where the board is required to give its approval.

The chairman holds regular, informal meetings with the non-executive directors without the executive directors being present and the non-executives also meet with the chairman and the chief executive on an informal basis twice each year.

Board effectiveness

Board performance and evaluation

The board conducts an annual evaluation of its own performance and that of its committees and directors. This year the evaluation was undertaken internally, in the form of a detailed questionnaire that all directors were asked to complete and return to the chairman. The questionnaire covered a range of areas including questions on board structure and composition, strategy and financials, board processes, risks, the board's committees and on

corporate governance generally. Initial responses have been discussed by the chairman and the non-executive directors. A number of minor comments were raised, although none of any significance. In addition to the formal evaluation exercise there is an ongoing dialogue within the board to ensure that it operates effectively. Any matters raised are addressed in a timely manner.

The code requires an externally facilitated board evaluation to be performed every three years and for Greene King this will take place during the next financial year.

An appraisal of the chairman's performance was undertaken by the senior independent director, Ian Durant, in conjunction with the renewal of the chairman's appointment. Discussions were held with the other non-executive directors and with the chief executive and it was agreed to appoint the chairman for a further term of three years. The performance of the executive directors is reviewed annually by the remuneration committee in conjunction with their annual pay review and the payment of bonuses.

Training and support

Each director is responsible for ensuring that they remain up to date in their skills and knowledge of the company, and the training needs of the board and its committees are regularly reviewed. Particular emphasis is placed on ensuring that directors are aware of proposed legislative changes in areas such as remuneration, corporate governance and financial reporting and sector-specific issues. All directors are also encouraged to visit the company's pubs and restaurants and do so throughout the year.

CORPORATE GOVERNANCE STATEMENT CONTINUED

Board effectiveness continued**Training and support continued**

Newly appointed directors receive a tailored induction on joining the board to acquaint them with the company. This generally takes the form of meetings with other board members and senior management, and the provision of an induction pack containing general information on the company, its policies and procedures, financial and operational information and a briefing on directors' responsibilities.

There is an agreed procedure, set out in writing, for directors, in furtherance of their duties, to take independent professional advice at the company's expense. Directors also have access to the services of the company secretary. The company has in place directors' and officers' liability insurance.

Commitment and conflicts of interest

All significant commitments which the directors have outside Greene King are disclosed prior to appointment and on an ongoing basis where there are any changes. The board is satisfied that each of the non-executive directors commits sufficient time to their duties and fulfils their obligations to the company.

The board has the right, under the articles of association, to approve potential situational conflicts of interest. A small number of such potential conflicts have been approved by the board following disclosure by certain directors, in each case with the relevant director not taking part in any decision relating to their own position. Directors are also aware that the disclosure and authorisation of any potential conflict situation does not detract from their requirement to notify the board separately of an actual or potential conflict in relation to a proposed transaction by the company.

Communication with shareholders

The board is keen to ensure that our shareholders have a good understanding of the business and its performance, and that the directors are aware of any issues or concerns which shareholders may have. Communication with shareholders takes a variety of forms.

Institutional shareholders and analysts

There is a regular dialogue with institutional shareholders, including meetings after the announcement of the year-end and interim results. Analysts are also invited to presentations at those times and separately to analyst trips to visit our premises and hear presentations on specific divisions of the business. The board receives regular reports and feedback on the meetings held between the executive directors and principal shareholders, and copies of analysts' reports on the company.

The senior independent non-executive director, Ian Durant, is available to shareholders if they have concerns about governance issues which the normal channels of contact fail to resolve.

AGM

The AGM is fully utilised as a means of communicating directly with private shareholders, who receive a brief presentation on the business before the substantive part of the meeting begins. They also have the full opportunity to ask questions during the meeting and to meet directors and senior management informally after the meeting. The board aims to ensure that all members of the board, including in particular the chairmen of the board committees, are available to answer questions at the AGM.

The notice of the AGM is sent to shareholders at least 20 working days before the meeting. All substantive items of business at shareholders' meetings are dealt with under separate resolutions, including a resolution to adopt the report and accounts. The chairman announces the results of the proxy voting on each resolution after it has been dealt with on a show of hands.

Website

The company maintains a website (www.greeneking.co.uk) to provide up-to-date, detailed information on the company's operations and brands, which includes a dedicated investor relations section. All company announcements are available on this site, as are copies of slides used for presentations to investment analysts. We are happy to answer questions by telephone or e-mail (investorrelations@greeneking.co.uk or companysecretary@greeneking.co.uk).

Board committees

The board has established a nomination committee, a remuneration committee and

an audit committee, each of which has formal terms of reference governing its method of operation. Each of the terms of reference, which have been approved by the board, are available on request or to download from the company's website and will be available for inspection at the AGM.

DTR disclosure

The information required by DTR 7.2 is set out in this report, the nomination committee report and the audit committee report, except for information required under DTR 7.2.6 which is set out in the directors' report.

REPORT OF THE NOMINATION COMMITTEE

LETTER FROM THE CHAIRMAN OF THE COMMITTEE

“

I am pleased to introduce our nomination committee report for 2013/14. During the year the committee continued to focus on the issue of succession planning, as well as considering board and committee composition, to ensure that they continue to meet the needs of the company and its shareholders.”

Tim Bridge

Chairman of the nomination committee



Membership

During the year the nomination committee was chaired by Tim Bridge. The other members of the committee were John Brady, Mike Coupe, Ian Durant and Lynne Weedall. Apart from the chairman, all members were considered by the board to be independent.

Responsibilities

The role of the nomination committee is to identify, evaluate and nominate candidates for appointment to the board, to review regularly the structure, size and composition (including skills, knowledge and experience) of the board and make recommendations to the board with regard to any adjustments that are deemed necessary.

The committee is also responsible for considering the company's succession plans

for board members and senior management, taking into account the challenges and opportunities facing the company, and what skills and expertise are therefore needed on the board in the future, and for reviewing membership of the board's committees to ensure that undue reliance is not placed upon any individuals.

Activities during the year

The committee met twice during the year. Attendance at these meetings by the committee members is shown in the table on page 43.

Matters considered by the committee during the year included board succession planning, committee composition, the board evaluation exercise, training requirements for directors, the committee's terms of reference and the re-election of directors.

The composition of the board's committees was reviewed and it was decided to recommend to the board the appointment of Mike Coupe to membership of the remuneration committee with effect from 29 April 2014.

On the recommendation of the nomination committee, and taking into account the continuing effective performance of the directors, the board has decided once again this year to ask all directors (apart from John Brady who retires on 27 July) to stand for re-election at the forthcoming AGM.

The committee has also commenced the process of appointing a new non-executive director to take John Brady's place on the board.

REPORT OF THE AUDIT COMMITTEE

LETTER FROM THE CHAIRMAN
OF THE COMMITTEE

“

I am pleased to introduce our audit committee report for 2013/14 which explains the committee's role in monitoring the group's financial reporting, its internal controls and its risk management processes.”

Ian Durant

Chairman of the audit committee



A number of topics were considered by the committee during the year and the most significant are described below. The committee is cognisant of revisions to the UK Corporate Governance Code and the related Guidance on Audit Committees, both of which came into force for the past year and accordingly presents this report which focuses on matters of particular significance and relevance to Greene King.

Membership

The audit committee was chaired during the year by Ian Durant. The other members of the committee were John Brady and Mike Coupe. All members are considered by the board to be independent. The board is satisfied that Ian Durant has recent and relevant financial experience, as the former finance director of Liberty International plc, since renamed as Intu Properties PLC, and the current audit committee chairman at Home Retail Group plc.

Responsibilities

The role of the audit committee is to review the group's financial reporting, controls and risk management processes. This includes assessing the external audit conclusions on the full year and interim results, in each case prior to their submission to the board. The board undertakes the required assessment that the annual report is fair, balanced and understandable and consequently does not ask the audit committee to advise it on this. The committee is responsible for reviewing the company's internal control systems, advising the board on the appointment of external auditors, overseeing the relationship with the external auditors, and reviewing the

quality and effectiveness of internal and external audit. It also regularly considers the company's whistle blowing procedures. The committee also reviews the group's risk management policies and procedures prior to submission to the board and receives detailed reports on the risk management processes within the business units and key functional areas. Regular updates are provided to the committee on regulatory, accounting and reporting developments under relevant financial standards and codes.

Operation of the committee

The committee met three times during the year. Attendance at these meetings by the committee members is shown in the table on page 43. On each occasion the finance director (or interim finance director) and senior members of the finance function attended, as well as the company secretary and head of risk. The external auditor attended all of the meetings. By rotation, operational managers present risk reports at audit committee meetings. There is an opportunity at each meeting for the committee to discuss matters privately with the auditor without management present. In addition, the chairman of the committee is in regular contact with the external audit partner to discuss matters relevant to the company. Details of the committee's specific responsibilities and how the committee exercised those responsibilities are set out in the remainder of this report. The committee's detailed terms of reference are available on the company's website and these are reviewed and updated annually. In addition, the committee reviews critically its own performance annually, taking input from the external auditor, and assesses where improvements might be made.

Financial statements and audit

Before the start of the audit cycle, the committee reviewed the audit plan presented by the auditor and agreed the scope of the audit work. In reviewing the financial statements the committee reviewed the consistency of accounting policies on a year-to-year basis and across the group, and the methods used to account for significant or unusual transactions. It also reviewed the proposed accounting for the sale of 275 pubs to Hawthorn Leisure Limited, where contracts were exchanged prior to the year end and the sale completed after the year end, resulting in an impairment of £19.6m on disposal. The focus given by the auditor to matters relating to revenue recognition was also noted. Significant issues that the committee addressed in relation to the financial statements are set out in the table on page 47. The committee also reviewed management's attestation paper setting out the information that had been provided to the auditor to enable it to form its opinion on the group's financial statements and demonstrating that it was appropriate for the directors to make the representations set out in the letter of representation.

Effectiveness of external audit

After the audit was completed a review of the effectiveness of the auditor and of the audit service was undertaken, supported by a questionnaire completed by the audit committee chairman, the group finance director, and a number of key members of the finance team involved in the preparation of the statutory accounts. The review covered the overall quality of the service, the audit partner and the audit team, and considered matters such as the management of the audit team, the

Significant issues considered by the audit committee in relation to the financial statements for 2013/14

MATTER CONSIDERED

WHAT THE COMMITTEE DID

Impairment of fixed assets and goodwill

Two detailed reports from management were considered by the committee on the methodology used to determine the extent of impairment required. The committee challenged the assumptions used, the range of pubs covered by the review and questioned management's site-by-site reviews and likely timetable for disposals of non-core sites. The committee also discussed management's proposals with the external auditor and took into account its views on assumptions used, reviewed market practice and consistency. As a result the committee concluded that an impairment of £22.0m was appropriate in relation to tangible fixed assets. As regards goodwill, it was determined that £6.4m should be written off in relation to disposals undertaken during the year and £14.6m written off in relation to the sale of the 275 pubs which took place after the year end.

Uncertain tax positions

The committee reviewed in detail a number of uncertain tax positions which have not yet been agreed or are in dispute with HMRC. For each item the committee noted their current status and considered the views of the group's advisers and independent counsel as to the most likely outcome in each case. Particular attention was paid to the largest of these, an internal funding arrangement undertaken in 2003/4, known as Sussex. The committee also discussed with the external auditor their detailed reports on the provisions and satisfied itself, as a result, that appropriate provisions were in place in respect of these uncertain tax positions.

Funding headroom and covenants

The committee reviewed the group's funding headroom and covenants in conjunction with the review of the use of the going concern assumption. Management's projections, assumptions and stress testing were reviewed and challenged, as were the extent to which mitigating actions would achieve the desired outcomes. The committee also sought and received assurances from the external auditor as to the work it had undertaken in relation to this issue.

Effectiveness of external audit continued

quality of their challenge, insight and communications and the cost-effectiveness of the audit. The committee reviewed the feedback provided and, with further enquiry, including a review of the results of external quality inspections of Ernst & Young by the Audit Quality Review team of the Financial Reporting Council, satisfied itself as to the current quality of the audit service. The feedback was also provided to Ernst & Young. The issue of audit independence was also considered and is covered in more detail below.

External auditor – appointment

We last tendered our external audit contract in 1997 and Ernst & Young has been the company's auditor since then, with an annual rolling contract and an annual shareholder vote at the AGM. It is required to rotate the audit partner responsible for the group and subsidiary audits every five years and the current audit partner was appointed in the autumn of 2011. The board's current intention is to put the audit of the group and subsidiary accounts out to tender, with a view to any change taking effect for the 2016/17 statutory accounts, at the end of the current audit partner's five-year term. It is, however, also aware and considering the implications of the transitional provisions in the EU regulation on audit matters, which would allow a further period of seven years before a change of audit firm was required.

The audit committee has established a policy in relation to the use of the auditor for non-audit work. The company will award non-audit work to the firm which provides the best commercial solution for the work in question, taking into account the skills and experience of the firm, the nature of the services involved, the level of fees relative to the audit fee and whether there are safeguards in place to mitigate to an acceptable level any threat to objectivity and independence in the conduct of the audit resulting from such services.

Work estimated to cost in excess of £25,000 is put out to tender unless agreed otherwise by the chairman of the audit committee. The finance director may approve specific engagements up to £50,000 (in aggregate up to £100,000 pa), and the chairman of the audit committee may approve engagements up to £100,000 (in aggregate up to £200,000 pa), with fees in excess of those limits being subject to approval of the full committee.

During the year the company made limited use of specialist teams within Ernst & Young for non-audit work such as taxation support, primarily in relation to certain tax matters on which Ernst & Young specialists had originally advised, including an ongoing dispute with HMRC. The total fees paid to Ernst & Young during the year amounted to £420k, of which £87k related to non-audit work.

Particular consideration was given by the committee to the issue of auditor independence and objectivity, especially in the light of tax

support being provided by Ernst & Young in relation to a matter in dispute with HMRC. It was noted that since 2005 Ernst & Young has not provided tax structure advisory services to the group and that this policy continues. The committee reviewed and debated a report from Ernst & Young in which it confirmed compliance with its own policies, procedures and ethical standards, including those of the Auditing Practices Board, in relation to auditor objectivity and independence. It also noted the use by the auditor of a separate tax audit team to audit the tax disclosures in the annual report and took account of the robust and challenging audit of the group's financial statements more generally. The committee was therefore satisfied that auditor independence and objectivity was safeguarded and that it was appropriate to recommend to the board Ernst & Young's re-appointment as auditor. This resolution will be put to shareholders at the AGM.

The committee has in place a policy in relation to the appointment of former employees of the auditor by the group. The policy provides that audit partners will not be offered employment by Greene King or any of its subsidiary undertakings within two years of undertaking any role on the audit. Other key team members will not be offered employment by Greene King within six months of undertaking any role on the audit. Other audit team members who accept employment by Greene King must cease activity on the audit immediately they tender their resignation to the audit firm.

REPORT OF THE AUDIT COMMITTEE CONTINUED

Internal audit

The committee reviewed the company's internal audit function, which previously focused primarily on the group's Retail division. The committee supported management's proposals to extend the remit of the internal audit function to cover more central functions and has, since the year end, agreed terms of reference and reviewed a proposal for how the internal audit team's work will be reported to the committee as well as work undertaken in 2013/14. Under the terms of reference for the function, the internal audit team has direct access to the audit committee chairman to enable it to raise any significant issues.

Other matters

The committee reviewed, as it does on an annual basis, the group's whistle blowing policy and its application across the business.

The committee considered the issue of cyber security following publication of the government's Cyber Security Framework in 2013 and will be keeping this issue under review during the course of 2014/15.

The terms of reference of the committee were also reviewed and updated during the year and an exercise was undertaken to assess the effectiveness of the audit committee itself.

Internal control and risk management

The board has overall responsibility for the group's risk management framework and systems of internal control and for reviewing their effectiveness, whilst the audit committee monitors and reviews those internal controls and risks on a regular basis and reports to the board on its findings. During the course of the year the committee reviewed in detail reports from a number of business units and functional areas on their respective risk management processes and key risks. Representatives of the relevant business unit or functional area attended those meetings to present the reports and answer questions from the committee.

A summary of the risk management framework is set out on page 30. The risk management framework and internal control systems are designed to manage, and not to eliminate, the risk of failure to achieve business objectives. They can provide reasonable, but not absolute, assurance that the group's assets are safeguarded and that the financial information used within the business and for external reporting is reliable.

The company has in place procedures to assess the key risks to which it is exposed and has formalised the control environment needed to address these and other issues. There are processes in place which accord with the guidance of the Turnbull Committee on internal control, and these remained in place up to the date of this report. The board is satisfied that there are no significant weaknesses in these systems.

The key elements of the internal control framework are:

- the schedule of matters reserved for the board;
- the group's defined management structure with suitable authority limits and responsibilities, staffed by appropriate personnel;
- regular updates for the board on strategy;
- a comprehensive planning and financial reporting procedure, including annual budgets and a three-year strategic plan, both of which are reviewed and approved by the board;
- ongoing monitoring by both the board and senior management of performance against budgets, through the periodic reporting of detailed management accounts and key performance indicators;

- ongoing monitoring by the board of compliance with financial covenants;
- a centralised financial reporting system and close process, with controls and reconciliation procedures designed to facilitate the production of the consolidated accounts;
- clearly defined evaluation and approval processes for acquisitions and disposals, capital expenditure and project control, with escalating levels of authority (including board approval for major acquisitions and disposals), detailed appraisal and review procedures and post-completion reviews;
- review of retail operational compliance by the retail internal audit team responsible and other analytical and control procedures facilitated by the EPOS till system; and
- documented policies to cover bribery and whistle blowing and regular updates on any incidents.

The group finance director has been on an extended leave of absence since March 2014 for health reasons. The audit committee is satisfied that the arrangements put in place in his absence ensure appropriate leadership of the finance function and maintain effective levels of internal control.

DIRECTORS' REMUNERATION REPORT

ANNUAL STATEMENT

“

I am pleased to introduce our directors' remuneration report for the 2013/14 financial year.”

Lynne Weedall
Chairman of the remuneration committee



In light of the new disclosure requirements relating to executive remuneration, our report has three sections:

- this annual statement;
- a section on our policies in relation to directors' remuneration, which sets out the forward-looking remuneration policy for the company's directors, which will operate from 5 May 2014; and
- an annual report on remuneration, which provides details of how the policy will be operated for the 2014/15 financial year and of the remuneration earned by the directors in relation to the period ended 4 May 2014.

At the forthcoming AGM the directors' remuneration policy will be subject to a binding shareholder vote, whilst the annual statement and the annual report on remuneration will be subject to an advisory shareholder vote. In future years, and in accordance with the relevant regulations, the directors' remuneration policy will only be subject to a binding vote every three years (although if changes are made to the policy during a three-year period we will put the policy to a binding shareholder vote again), and the annual statement and the annual report on remuneration will be subject to an annual advisory vote.

The remuneration committee undertook a full review of the company's incentive arrangements last year in conjunction with the renewal of the long-term incentive plan (LTIP), and carried out an extensive consultation with our major shareholders. As well as the changes to the LTIP arrangements we also introduced shareholding guidelines for our executive directors for the first time. We were pleased to receive strong shareholder support for both the remuneration report and the new LTIP scheme.

This year the emphasis for the committee has been to ensure that the remuneration policy continues to both support and motivate our senior team whilst at the same time aligning them to the company's strategic objectives and to achieving long-term growth for shareholders. No changes are proposed for 2014/15, as the committee is satisfied that basic salaries remain appropriately positioned in the market, that the structure and quantum of the annual bonus continues to be appropriate and aligned to shareholders' interests and that the LTIP, with two forms of award with a three-year vesting period based on challenging earnings per share (EPS) and return on capital employed (ROCE) performance conditions, provides a strong alignment between the senior executives and shareholders. We also remain comfortable with the balance between fixed and variable remuneration.

During the past year there has been continued progress on our strategic priorities, as we increased the size of our retail estate and reduced that of our tenanted and leased estate. Profit before tax and exceptionals (PBTE) increased by 7.4%, the dividend by 6.8% and our share price by 22% year on year. This strong performance, following equally encouraging results in previous years, means that the awards made under the LTIP three years ago will vest in full on the third anniversary of their grant this summer. The bonus outturn this year is 97% of salary for the chief executive and 90% of salary for the group finance director. We continue to exercise restraint in executive pay levels and salary increases for the executive directors will be a maximum of 2.5% for this year, which is in line with the workforce generally.

We are happy to receive feedback from shareholders at any time in relation to our remuneration policies and hope to receive your support for the two resolutions referred to above at the forthcoming AGM.

Lynne Weedall
Chairman of the remuneration committee
2 July 2014

DIRECTORS' REMUNERATION REPORT CONTINUED

POLICY REPORT

This section of the report sets out Greene King's future remuneration policy. Details of actual remuneration paid, LTIP awards made and the associated performance conditions are set out in the annual report on remuneration which starts on page 54.

Policy overview

The key objective of the company's remuneration policy is to provide a remuneration structure that is aligned with shareholder interests and that enables

the company to attract, motivate and retain talented and high quality individuals able to deliver continued growth of the business and achieve the group's strategic aims. The remuneration package is designed to be competitive but not excessive and to contain an appropriate balance between fixed and variable remuneration and, for the variable remuneration, between short-term and longer-term performance.

The committee has considered whether there are any aspects of the policy which could inadvertently encourage executives

to take inappropriate risk and is satisfied that this is not the case. The committee has also ensured that the incentive structure for executive directors and senior management does not raise environmental, social or governance risks by inadvertently motivating irresponsible behaviour.

The committee is not proposing any material amendments to the company's existing remuneration policy. Details of each element of remuneration, their purpose, link to strategy and their operation and performance metrics are set out below.

POLICY TABLE

ELEMENT OF REMUNERATION	PURPOSE AND LINK TO STRATEGY	OPERATION	MAXIMUM OPPORTUNITY	PERFORMANCE METRICS
Salary	To recruit, reward and retain high calibre executives with an appropriately competitive base salary.	Base salaries are reviewed annually or when a change in responsibility occurs, to reflect the executive's responsibilities, market value and sustained performance level. In setting pay levels, the committee considers current market practice and makes comparisons against a selection of other companies determined by reference to turnover, market capitalisation and operational details. When reviewing base salaries, the committee is mindful of the gearing effect that increases in base salary will have on the potential total remuneration of the executive directors.	There is no prescribed maximum annual increase. The committee is guided by the general increase for the broader employee population but on occasions may need to recognise, for example, an increase in the scale, scope or responsibility of the role.	—
Annual performance bonus	To incentivise executive directors to deliver superior performance during the course of a year, and to promote retention and stability amongst the senior management team. Performance measures and targets are designed to reinforce strategic priorities for the year.	Performance measures and targets are set at the beginning of each financial year to ensure that the measures and weightings are appropriate and support the business strategy. Bonuses are payable after the end of each financial year, based on performance against those targets. Bonuses are non-pensionable. A clawback mechanism applies in the event of a material misstatement of the group's accounts, error or gross misconduct.	A maximum of 100% of salary can be earned by the executive directors, with no bonus payable for below threshold performance and up to 75% of salary for target levels of performance. Payment of bonuses is dependent on a mixture of financial targets and specific personal targets. In relation to the financial targets, awards are made on a straight-line basis for performance between threshold and target and on a separate straight-line basis for performance between target and maximum.	Performance is measured relative to challenging targets in key financial measures. Details of measures and weightings for the 2013/14 financial year and of the proposed measures and weightings for next year's annual bonus, are set out in the annual report on remuneration on pages 54 to 60. An explanation of how the performance measures were chosen is given in the notes below.
Long-term incentive plan ("LTIP")	To incentivise the executive directors to deliver superior levels of long-term performance for the benefit of shareholders, thereby aligning their interests with those of our long-term shareholders.	The committee normally makes an annual LTIP award, usually in the form of nil-cost options. The awards are subject to suitably stretching performance conditions set by the committee, which are reviewed annually. Awards normally vest on the third anniversary of grant, subject to performance, and will be exercisable until the tenth anniversary of grant. A clawback mechanism applies in the event of a material misstatement of the group's accounts, error or gross misconduct.	A maximum of 200% of salary can be awarded each year, 100% as a core LTIP and 100% as a growth LTIP. Dividend equivalents will be paid on any shares that vest.	The core LTIP will be subject to a suitably stretching EPS target and the growth LTIP to a suitably stretching ROCE target. Performance will normally be measured over a three-year period. Vesting will generally be subject to continued employment. The committee retains the discretion to scale back the vesting levels of the growth LTIP award in appropriate circumstances.

ELEMENT OF REMUNERATION	PURPOSE AND LINK TO STRATEGY	OPERATION	MAXIMUM OPPORTUNITY	PERFORMANCE METRICS
Shareholding policy	To align the interests of the executive directors with shareholders and to promote a long-term approach.	Executive directors are required to build and retain a shareholding of at least 100% of salary. To the extent that the shareholding requirement has not been met, executives will be expected to retain at least 50% of the net exercised LTIP awards until the requirement is met.	—	—
Pension	To offer market competitive levels of benefit.	The company contributes to defined benefit pension arrangements for the executive directors or provides cash in lieu where appropriate.	Current company contribution levels are 25% for the chief executive and 20% for the group finance director.	—
Benefits	To be appropriately competitive with those offered at comparator companies.	Benefits comprise the provision of company cars (or cash allowances in lieu thereof), fuel for company cars, life assurance, permanent health insurance and private medical insurance.	Benefits are reviewed periodically in line with market practice and are not pensionable.	—
All employee share schemes	All employees, including executive directors, have the opportunity to build their shareholding in a tax-efficient way by participating in the company's HMRC approved sharesave scheme.	Employees are invited to participate in the sharesave in January each year provided that they have the requisite service.	The maximum saving under the sharesave scheme will be no more than HMRC approved limits, allowing employees to buy company shares at up to a 20% discount at the end of a three or five-year savings period.	—

Notes

- A description of how the company intends to implement the policy set out in this table for 2014/15 is set out in the annual report on remuneration on page 60.
- The choice of performance metrics applicable to the annual bonus scheme reflect the committee's belief that the compensation should be appropriately stretching, but achievable, and tied to both the delivery of profit growth, key financial metrics and specific individual objectives.
- The EPS performance condition underpinning the core LTIP award was selected by the committee on the basis that it would reward the delivery of long-term financial growth and is the most widely understood profit-based measure across the business. ROCE was chosen as the performance condition to apply to the growth LTIP award as it will ensure that management focuses on generating the necessary returns in excess of the cost of capital and because it provides a more strategic measure of long-term performance, where capital needs to be re-deployed in order to focus on Retail. The performance targets are set by the committee following a detailed review of the company's projections and are believed to be appropriately stretching.
- The policy and practice for the remuneration of employees generally differs from that for the executive directors as follows:
 - A lower level of maximum annual bonus opportunity (or zero bonus opportunity) may apply to employees other than the executive directors and certain senior executives and targets may differ by business unit and by employee.
 - Other employees may receive fewer or lower levels of benefits than those for executive directors. Company car benefits are only offered where required for the role or to meet market norms.
 - Pension contribution levels may be lower for employees generally compared with those for the executive directors.
 - Participation in the core LTIP is limited to the executive directors and around 40 senior managers. Participation in the growth LTIP is limited to an even smaller senior management population.

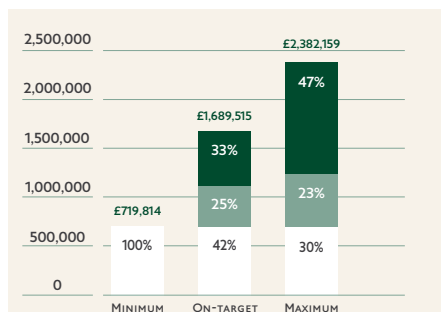
These differences generally arise from the development of remuneration arrangements that are market competitive for various categories of employees. They also reflect the fact that, in the case of executive directors and senior executives, there is a greater emphasis on performance related pay.
- Subject to the achievement of the applicable performance conditions, executive directors are eligible to receive payment from any award made prior to the approval and implementation of the remuneration policy detailed in this report.

DIRECTORS' REMUNERATION REPORT CONTINUED

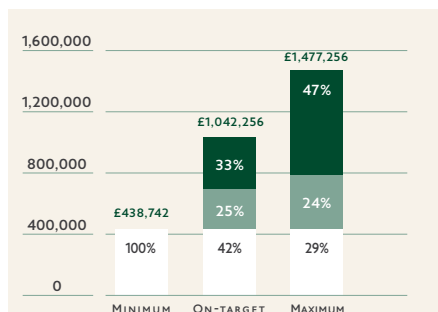
Indicative total remuneration levels

The graphs below provide scenarios for the potential future reward opportunity for each executive director, and the potential split between the different elements of remuneration, under three different performance scenarios – minimum, on-target and maximum.

CHIEF EXECUTIVE OFFICER



GROUP FINANCE DIRECTOR



■ CORE AND GROWTH LTIP ■ ANNUAL BONUS □ SALARY, PENSION AND BENEFITS

Notes:

1. Minimum relates to the value of the package assuming that salary, benefits and pension alone are paid.
2. The on-target annual bonus opportunity, based on stretching performance targets, is 75% of salary for the chief executive and 75% for the group finance director.
3. The on-target vesting level under the core LTIP and the growth LTIP is assumed to be 50% and 50% respectively.
4. The maximum scenario assumes full bonus payout and full vesting of LTIP awards.
5. No assumption as to share price growth is made in either the on-target or the maximum scenarios.

Approach to recruitment and promotions

The remuneration package for a new executive director would be set in accordance with the terms of the company's prevailing approved remuneration policy at the time of recruitment. In particular, the annual bonus potential will be limited to 100% of salary and awards under the LTIP will be limited to 200% of salary.

In the case of an external hire, if required to secure an individual, the committee may offer additional cash and or share-based elements when it considers them to be in the best interests of the company, to take account of deferred remuneration forfeited by the new hire when leaving their former employer. Any such additional payments would be one-off in nature, would reflect where possible the nature, time horizons and performance requirements attaching to that forfeited remuneration and would be limited to the value of the forfeited remuneration.

For an internal promotion to executive director level, any variable pay element awarded in respect of the prior role may be allowed to pay out in accordance with its terms, adjusted as relevant to take into account the appointment. In addition, any other ongoing remuneration obligations existing prior to appointment may continue,

provided that they are put to shareholders for approval at the earliest opportunity.

For both external and internal appointments, the committee may agree that the company may meet certain relocation and/or incidental expenses as appropriate.

Service agreements and exit payment policy

Newly appointed executive directors are offered a service agreement with a notice period of one year. In the event of the employment of an executive director being terminated, the committee would take into account the commercial interests of the company, pay due regard to best practice and apply usual common law and contractual principles, including the individual's duty to mitigate their loss.

The payment of any annual bonus in respect of the year of termination is subject to the discretion of the committee, which may determine that an annual bonus is payable with respect to the period of the financial year served, but pro-rated for time served, and not paid until the normal due date for the payment of bonuses.

The vesting of any LTIP awards will be governed by the rules of the LTIP. Awards will normally lapse unless the individual is

considered a 'good leaver'. An individual would generally be considered a 'good leaver' if they left the group's employment by reason of death, injury, ill health, disability approved by the committee, or retirement, although the committee has the absolute discretion to treat any individual as a 'good leaver' for any other reason. In the case of a 'good leaver', payments would normally be scaled back to recognise the shorter period of service than the award was intended to cover and remain subject to outstanding performance conditions.

Rooney Anand, whose employment with the company commenced on 6 August 2001, is subject to a one year notice period from the company. His terms of employment do not contain any additional terms relating to compensation for termination of employment. The terms of his appointment as chief executive were agreed and set out in a letter dated 24 December 2004.

Matthew Fearn's contract may be terminated by the company on giving one year's notice, without any additional terms relating to compensation for termination of employment.

There are no obligations on the company contained within the existing directors' contracts which would give rise to payments not disclosed in this report.

Non-executive directors

Non-executive directors are appointed pursuant to letters of appointment for three-year periods. The table below sets out the start and expiry date of their respective appointments.

Director	Date of appointment	Present expiry date
Tim Bridge	2 May 05	30 Apr 17
John Brady	24 Jun 05	27 Jul 14
Mike Coupe	26 Jul 11	25 Jul 14
Ian Durant	16 Mar 07	15 Mar 16
Lynne Weedall	11 Oct 12	10 Oct 15

The appointments of all these non-executive directors can be terminated by the company at any time on three months' written notice, notwithstanding the present expiry dates above.

The table below summarises each of the components of the remuneration package for the non-executive directors. The non-executive directors are not entitled

to receive any pension, bonus or long-term incentive benefits from the company in respect of their roles as non-executive directors.

External directorships

The company's policy is to allow executive directors to take up one or more non-executive directorships in an external company, subject to board approval. Fees received for serving as a non-executive director of an external company are retained by the executive director.

Consultation

The company engages regularly with shareholders on matters relating to its strategy and business operations. Where necessary, we also engage with shareholders and their representative bodies on matters relating to executive remuneration and it is the committee's policy to consult with major shareholders prior to making any major changes to its executive remuneration structure.

Consideration of conditions elsewhere in the group

The committee does not consult with employees when deciding remuneration policy, although it does receive information on salary increases and long-term incentives for employees across the group.

NON-EXECUTIVE DIRECTOR POLICY TABLE

ELEMENT OF REMUNERATION	PURPOSE AND LINK TO STRATEGY	OPERATION	REWARD	PERFORMANCE METRICS
Fee	To recruit and retain appropriately qualified non-executive director.	The chairman and non-executive director fees are typically reviewed every two years. Fees are benchmarked against similar roles in the sector and in other similar sized companies and reflect the time commitments and responsibilities of each role.	Non-executive director fees may include a basic fee and a fee for acting as a committee chairman or as the senior independent director. They are set at a level that is considered appropriately competitive in the light of market practice.	—
Benefits	To be appropriately competitive with those offered at comparator companies.	The chairman's benefits include private healthcare and the provision of a company car.	Benefits are reviewed periodically in line with market practice. The value of the chairman's benefits will be comparable with those offered to the executive directors.	—

DIRECTORS' REMUNERATION REPORT CONTINUED

ANNUAL REPORT ON REMUNERATION

This section of the report explains how Greene King's remuneration policy has been implemented during the year.

The remuneration committee

The remuneration committee is appointed by the board. The members are Lynne Weedall (chairman), John Brady, Mike Coupe (appointed 29 April 2014) and Ian Durant. All of the committee members are regarded by the board as independent non-executive directors.

The role of the committee, as set out in its terms of reference (which are available on the company's website), includes determining the remuneration policy for the executive directors, the chairman and certain members of senior management. It agrees total individual remuneration packages, considers the granting of awards under the long-term incentive plan and determines bonuses payable to the executive directors and certain senior executives.

It approves the service contracts of the executive directors and any compensation arrangements arising from their termination. The committee is made aware of, and takes into account, the salary levels of the wider senior management team and of the incentive arrangements operating throughout the company.

During the year there were three scheduled meetings of the committee. Attendance at these meetings is shown in the table on page 43.

Advisers to the remuneration committee

The committee seeks advice on general remuneration matters and comparator information from New Bridge Street, a subsidiary of Aon plc. Aon plc provides insurance broking and consultancy services to the group. The committee is satisfied that the provision of these services does not in any way prejudice the position of New Bridge Street as independent advisers to the committee. Fees paid during the year to New Bridge Street in respect of advice to the committee were £33k.

Rooney Anand, chief executive, attends meetings of the committee and provides advice to help the committee determine appropriate remuneration and incentive packages for the finance director and the other senior executives, but he leaves the meeting when his own remuneration is being discussed. The chairman of the board also attends meetings of the committee.

Shareholder voting at the 2013 AGM

The table below shows the results of the advisory vote on the 2012/13 directors' remuneration report at the AGM held on 3 September 2013.

	Votes for	Percentage	Votes against	Percentage	Votes withheld
Approval of the directors' remuneration report	135,830,169	96.01%	5,640,255	3.99%	304,118

Audited information

Single figure of remuneration

The tables below show the details of the total remuneration paid to each director in 2012/13 and 2013/14. A large proportion of the remuneration paid to Rooney Anand has resulted from the vesting of awards under the LTIP and specifically from the share price growth since the original date of grant, from which all shareholders have benefited.

	Salary or fees £'000	Taxable benefits £'000	Pension-related benefits ¹ £'000	Annual bonus ² £'000	Long-term incentives ³ £'000	Total £'000
2013/14 (53 weeks)						
Executive directors						
Rooney Anand	551	19	138	525	1,422	2,655
Matthew Fearn	348	13	70	257	—	688
Non-executive directors						
Tim Bridge	178	32	—	—	—	210
John Brady	45	—	—	—	—	45
Mike Coupe	45	—	—	—	—	45
Ian Durant	52	—	—	—	—	52
Lynne Weedall	52	—	—	—	—	52

	Salary or fees £'000	Taxable benefits £'000	Pension-related benefits ¹ £'000	Annual bonus ² £'000	Long-term incentives ³ £'000	Total £'000
2012/13 (52 weeks)						
Executive directors						
Rooney Anand	530	18	133	572	1,436	2,689
Matthew Fearn	335	12	67	322	—	736
Non-executive directors						
Tim Bridge	170	32	—	—	—	202
John Brady	43	—	—	—	—	43
Mike Coupe	43	—	—	—	—	43
Ian Durant	50	—	—	—	—	50
Lynne Weedall	29	—	—	—	—	29

Notes

- 1 Pension benefits for the executive directors generally comprised cash in lieu of pension contributions, save in respect of Matthew Fearn in 2012/13 when he received £36,000 cash in lieu of pension contributions and £31,000 was paid to his pension scheme.
- 2 In 2012/13, as well as the annual cash bonus payment, the figure shown also reflects the deferred share bonus scheme award. This is no longer being operated. In 2013/14 Matthew Fearn's bonus was pro-rated to cover the ten months of the year when he was working, prior to his current illness.
- 3 Long-term incentives in 2013/14 comprised the value of the awards granted in August 2011, which will vest in August 2014 and which were subject to performance targets measured over the three years to May 2014. The value of the award has been calculated using 892p, being the average share price for the last quarter of the 2013/14 financial year, and also takes into account the dividend equivalent payable on the award. 100% vesting of the 2011 awards has been assumed. For the long-term incentives in 2012/13 the actual share price on the date of the award has been used. The original value of Rooney Anand's 2011 awards which will vest in August 2014 was £684k. The original value of the 2010 award which vested last year was £669k respectively. The remaining value of the awards has resulted from the share price growth and dividend notes equivalent payments from which all shareholders have benefited.

Details of the elements included in the table above are as follows:

Base salary

The base salaries for 2013/14 for Rooney Anand and Matthew Fearn, on a 52 week basis, were £540,600 and £341,000 respectively. The base fee for the chairman on a 52 week basis was £174,250. The base fees for the non-executive directors on a 52 week basis were £44,100 for John Brady and Mike Coupe and £51,250 for Ian Durant and Lynne Weedall.

Taxable benefits

Taxable benefits were provided to directors in line with the policy table set out on page 51.

Pension-related benefits

Cash in lieu of pension contributions were in line with the policy table set out on page 51.

Annual bonus

Executive directors may earn bonuses depending on the company's performance and their own individual performance. Awards for the chief executive were based 90% on financial performance and 10% on individual performance, whilst for the group finance director the respective percentages were 72.5% on financial performance and 27.5% on individual performance.

For the chief executive, the financial performance measures were based on PBTE and free cash flow, whilst the group finance director had an additional financial target based on return on investments. The committee has decided that disclosing specific short-term financial targets is inappropriate as it may give competitors an advantage if they were able to see our financial targets, although the 2013/14 targets will be disclosed in next year's report. Both PBTE and free cash flow are among the group's KPIs, details of which are on page 29. The return on investment measure comprised the return on investments undertaken during the year on sites within Greene King's core Retail estate.

DIRECTORS' REMUNERATION REPORT CONTINUED

ANNUAL REPORT ON REMUNERATION CONTINUED

Audited information continued

Annual bonus continued

The awards to be made are as follows:

	Maximum percentage of bonus	Actual percentage of bonus
Rooney Anand		
PBTE	75.0	72.1
Free cash flow	15.0	15.0
Personal targets	10.0	10.0
Total	100.0	97.1
Matthew Fearn		
PBTE	52.5	50.3
Free cash flow	10.0	10.0
Return on investment	10.0	10.0
Personal targets	27.5	20.0
Total	100.0	90.3

Notes

- 1 The personal targets for Rooney Anand included targets relating to succession planning and corporate reputation and the amounts payable in respect thereof were decided at the discretion of the committee.
- 2 The personal targets for Matthew Fearn included targets relating to corporate reputation and certain financial targets which have not been disclosed on grounds of commercial sensitivity.

Performance against the combined financial and individual targets resulted in bonuses being paid at £525k (97.1% of salary) for the chief executive and at £257k (90.3% of salary pro-rated down to 75.2% for 10 months' service prior to his current illness) for the group finance director.

Long-term incentive plans

The LTIP award granted on 4 August 2011 was based on a three-year performance period ended 4 May 2014. A maximum of 60% of each award vests if an adjusted free cash flow target has been met and the remaining 40% vests if an EPS target has been met. The target ranges, calculated on a straight-line basis from 0% to 100%, are set out below.

Performance measure	Performance target	Actual performance ¹	Threshold vesting of award	Maximum percentage of award	Actual percentage of award
Earnings per share	52.6–56.6p	60.2p	0%	40%	40%
Free cash flow	£250.0m–£290.0m	£333.3m	0%	60%	60%
Outcome			0%	100%	100%

Notes:

- 1 The EPS figure has been calculated on a 52 week basis for consistency.

The award details for the executive directors are therefore as follows:

Director	Number of shares at grant	Number of shares to vest	Number of shares to lapse	Estimated value ¹ £'000	Dividend equivalent on shares to vest ² £'000	Total estimated value £'000
Rooney Anand	147,000	147,000	—	1,311	111	1,422

Notes

- 1 The estimated value of the vested shares is based on the average share price during the three months to 4 May 2014 (892 pence). As explained in the single remuneration table above, a significant proportion of the estimated value of the LTIP award derives from the increase in the share price from which all shareholders have benefited.
- 2 The LTIP enables award holders to benefit from the payment of dividend equivalents but only to the extent that the underlying share awards vest.

Interests under the LTIP

A summary of the directors' interests under the LTIP at the beginning and end of the year, and changes during the year, is below:

	Date of grant	Scheme	Outstanding as at 28 April 2013	Granted during the period	Vested during the period	Lapsed during the period	Outstanding as at 4 May 2014	Performance period
Rooney Anand	12 Aug 10	LTIP	160,000	—	160,000	—	—	—
	4 Aug 11	LTIP	147,000	—	—	—	147,000	May 2011 – May 2014
	6 Aug 12	LTIP	117,000	—	—	—	117,000	May 2012 – May 2015
	4 Oct 13	Core LTIP	—	68,630	—	—	68,630	May 2013 – May 2016
	4 Oct 13	Growth LTIP	—	68,630	—	—	68,630	May 2013 – May 2016
Matthew Fearn	6 Aug 12	LTIP	74,000	—	—	—	74,000	May 2012 – May 2015
	4 Oct 13	Core LTIP	—	43,290	—	—	43,290	May 2013 – May 2016
	4 Oct 13	Growth LTIP	—	43,290	—	—	43,290	May 2013 – May 2016

For the 2012 LTIP award, 60% of each award will vest if an adjusted free cash flow target is met and 40% will vest if an EPS performance target is met. The target range for the adjusted free cash flow, which is calculated on a straight-line basis from 0% to 100% is £262.0m to £302.0m. The EPS target has been adjusted, at the discretion of the committee, to take into account the impact on earnings of the accelerated disposal of 275 pubs which completed shortly after the year end. The committee is satisfied that the adjustment is appropriate, and that the revised target would be a fairer measure of performance and is no more or less difficult to satisfy than the previous range. The target and the adjustments thereto are not disclosed due to their commercial sensitivity but will be disclosed on a retrospective basis.

For the 2013 core LTIP award, the EPS target has also been adjusted from the previously disclosed target range, at the discretion of the committee, to take into account the impact of the above mentioned disposal. There will be no vesting for EPS growth of 16% or less above a revised base of 51.5p, increasing on a straight-line basis to full vesting for growth of 28% during the performance period above that base (2013: target range 12–24% above a base of 55.6p as restated for IAS 19R). The committee is satisfied that the adjustment is appropriate, and that the revised target would be a fairer measure of performance and is no more or less difficult to satisfy than the previous range.

For the 2013 growth LTIP award, there will be no vesting for ROCE of 9.1% or less, increasing on a straight-line basis to full vesting for ROCE of 9.8% at the end of the performance period.

Details of the awards granted to the directors on 4 October 2013 are as follows:

Director	Scheme	Type of award	Basis of award granted	Share price used for award purposes ¹	Number of shares over which award was granted	Face value of award	Performance period	Exercisable between
Rooney Anand	Core LTIP	nil-cost option	100% of salary of £540,600	787.7p	68,630	£540,599	May 2013 – May 2016	5 Oct 2016 – 3 Oct 2023
Rooney Anand	Growth LTIP	nil-cost option	100% of salary of £540,600	787.7p	68,630	£540,599	May 2013 – May 2016	5 Oct 2016 – 3 Oct 2023
Matthew Fearn	Core LTIP	nil-cost option	100% of salary of £341,000	787.7p	43,290	£340,995	May 2013 – May 2016	5 Oct 2016 – 3 Oct 2023
Matthew Fearn	Growth LTIP	nil-cost option	100% of salary of £341,000	787.7p	43,290	£340,995	May 2013 – May 2016	5 Oct 2016 – 3 Oct 2023

Notes:

1 The share price used for award purposes was determined by reference to the average closing share price on the three days immediately prior to the date of the award.

DIRECTORS' REMUNERATION REPORT CONTINUED

ANNUAL REPORT ON REMUNERATION CONTINUED

Audited information continued

Interests under the executive share option scheme

A summary of the directors' outstanding interests under the group's executive share option scheme (under which no awards have been made since September 2008) at the beginning and end of the year, and changes during the year, is below:

	Date of grant	Option price	Outstanding as at 28 April 2013	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 4 May 2014	Exercise period
Tim Bridge	6 Aug 04	408p	99,669	—	99,669	—	—	6 Aug 2007 – 5 Aug 2014
Rooney Anand	6 Aug 04	408p	54,817	—	54,817	—	—	6 Aug 2007 – 5 Aug 2014
	4 Aug 05	528p	74,751	—	—	—	74,751	4 Aug 2008 – 3 Aug 2015

Interests under the sharesave scheme

The interests of the directors in options granted under the sharesave scheme were as follows:

	Outstanding as at 28 April 2013	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 4 May 2014	Option price (p)	Exercise period
Matthew Fearn	2,325	—	—	—	2,325	387	1 April – 30 Sept 2015

Directors' shareholdings and share interests

Under the shareholding guidelines executive directors are required to build and retain a shareholding of at least 100% of salary and must retain 50% of the net exercised value of vested LTIP awards until the requirement is met.

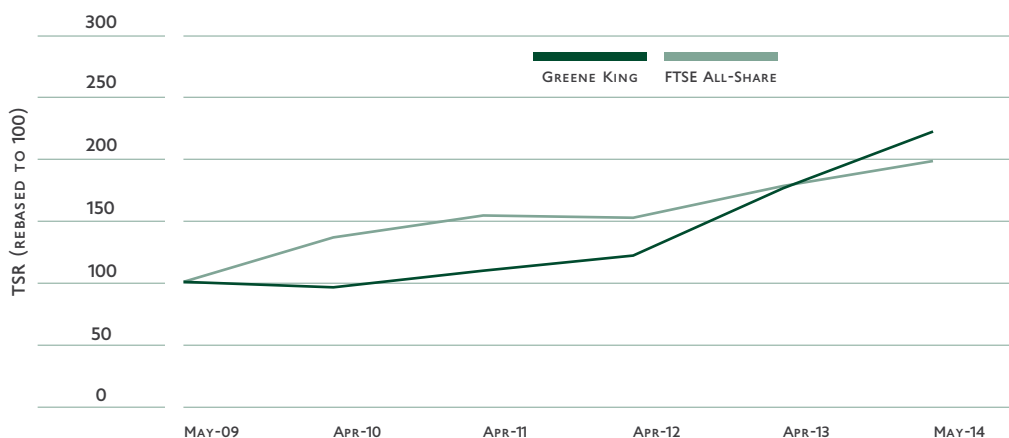
Details of the directors' shareholdings are set out in the table below.

Director	At 29 April 2013		4 May 2014				Total	Shareholding as %age of salary as at 4 May 2014
	Legally owned	Legally owned	Subject to deferral under the deferred share bonus scheme	Subject to the sharesave scheme	Unexercised share options	Subject to performance under the LTIP		
Rooney Anand	272,794	381,782	7,919	—	74,751	401,260	865,712	616%
Matthew Fearn	9,654	13,576	5,005	2,325	—	160,580	181,486	35%
Tim Bridge	1,362,760	1,389,998	—	—	—	—	1,389,998	—
John Brady	10,000	10,000	—	—	—	—	10,000	—
Mike Coupe	2,000	2,000	—	—	—	—	2,000	—
Ian Durant	22,320	22,320	—	—	—	—	22,320	—
Lynne Weedall	2,000	2,000	—	—	—	—	2,000	—

Other information

Performance graph and chief executive pay

A graph showing the total shareholder return of Greene King relative to the FTSE All-Share Index over the last five years is shown below. We have chosen this comparator group as it is the most appropriate market index of which the company is a member.



The table below shows the total remuneration for the chief executive over each of the last five years.

	2009/10	2010/11	2011/12	2012/13	2013/14
CEO single figure (£'000)	1,096	1,406	1,248	2,689	2,655
Annual bonus percentage of maximum	97%	100%	75%	72%	97%
LTIP percentage of maximum	0%	0%	0%	100%	100%

Percentage increase in the chief executive's remuneration

The table below shows the percentage change in the chief executive's remuneration from the prior year compared to the average percentage change in remuneration for all four-weekly paid employees (which include pub and restaurant managers but exclude colleagues working for them in those pubs and restaurants), who have been selected as the comparator as they participate in similar remuneration arrangements to the executive directors.

	Chief executive % change	Employees % change
Salary	2	5
Taxable benefits	0	3
Annual bonus ¹	-8	10

Notes:

1 In 2012/13 the maximum annual bonus for the chief executive was 150% of salary. In 2013/14, the maximum was 100%.

Relative importance of spend on pay

The following table shows the company's actual spend on pay (for all employees) relative to dividends and group revenue.



Remuneration from other company directorships

Rooney Anand is non-executive chairman of JB Drinks Holdings Limited, which is unconnected with the group, and received and retained £30k (2013: £22.5k) from that company by way of fees.

Implementation of remuneration policy in 2014/15

Salary

The executive directors' salaries are reviewed annually and the 52 week base salaries of the executive directors with effect from 5 May 2014 will be as follows:

Name	Position	2013/14 base salary	2014/15 base salary	Percentage increase
Rooney Anand	Chief executive	£540,600	£554,115	2.5%
Matthew Fearn	Group finance director	£341,000	£348,000	2.1%

These increases compare with average pay rises for the group's four-weekly paid employees (which include pub and restaurant managers but exclude colleagues working for them in those pubs and restaurants) of 2.5%.

Pension and benefits

The pension contributions and benefits will continue in line with the policy table on page 51.

DIRECTORS' REMUNERATION REPORT CONTINUED

ANNUAL REPORT ON REMUNERATION CONTINUED

Other information continued

Implementation of remuneration policy in 2014/15 continued

Annual bonus

The annual bonus opportunity will remain unchanged for 2014/15. The financial performance targets will continue to be based on group PBTE and free cash flow for both the chief executive (maximum weighting 75% and 15% respectively) and the group finance director (maximum weighting 50% and 15% respectively), with the group finance director also having a target based on return on investment (maximum weighting 15%).

In addition the chief executive will have 10% of his bonus based on individual targets (including corporate reputation and succession planning), as in 2013/14, and the group finance director will have 20% based on individual targets (including corporate reputation and certain financial targets).

The committee has decided that the bonus targets should not be disclosed prospectively due to commercial sensitivity. The committee expects to publish the performance targets once they have ceased to be commercially sensitive, in the 2015/16 annual report.

LTIP

The awards to be made in 2014 will be based on 200% of the director's base salary (100% for the core LTIP and 100% for the growth LTIP), calculated by reference to the average closing prices on the three business days immediately prior to the date of the award.

The awards will vest three years after the date of the award, subject to continued employment within the group and dependent on performance over the three financial years to May 2017. There will be no vesting under the core LTIP award for EPS growth (from a base of 56.1p) of 22% or less, increasing on a straight-line basis to full vesting for growth of 31%. For the growth LTIP award, there will be no vesting for ROCE of 9.4% or less, increasing on a straight-line basis to full vesting for ROCE of 10.0%. The committee retains the discretion to scale back the vesting levels of the growth LTIP awards in appropriate circumstances.

Chairman and non-executive directors' fees

No changes are planned to the fees payable to the chairman or the non-executive directors in 2014/15, and there will be no changes to the benefits receivable by the chairman. Fees for the chairman and the non-executive directors will be reviewed again in 2015.

DIRECTORS' REPORT

The directors present their annual report together with the audited financial statements of the company and the group for the fifty-three weeks ended 4 May 2014.

Profits and dividends

The group's profit before taxation and exceptional items for the period amounted to £173.1 million (2013: £158.2 million restated). An interim dividend of 7.60p per share (2013: 7.15p) was paid on 24 January 2014. The directors recommend a final dividend of 20.8p per ordinary share (2013: 19.45p), making a total dividend for the year of 28.4p per share (2013: 26.6p). Subject to the approval of shareholders at the AGM, the final dividend will be paid 15 September 2014 to shareholders on the register at the close of business on 15 August 2014.

Directors

Details of the current directors are given on page 40. All of the directors held office throughout the period.

John Brady will retire from the board on 27 July 2014, having served as a non-executive director for nine years. The board has recommended that all of the other directors offer themselves for re-election at the forthcoming AGM.

Details of the directors' service agreements, remuneration, and interests in share options and awards are set out in the directors' remuneration report. There have been no changes in their interests between 4 May 2014 and the date of this report.

Directors' interests in shares

The beneficial interests of each of the directors and their immediate families in the ordinary share capital of the company are shown below:

	28 April 2013	4 May 2014
Rooney Anand	272,794	381,782
John Brady	10,000	10,000
Tim Bridge	1,362,760	1,389,998
Mike Coupe	2,000	2,000
Ian Durant	22,320	22,320
Matthew Fearn	9,654	13,576
Lynne Weedall	2,000	2,000

At 4 May 2014, Tim Bridge had a non-beneficial interest in 87,900 (2013: 87,900) shares, in addition to the holding shown above.

There have been no changes in the interests of the directors between 4 May 2014 and the date of this report.

Interests in contracts

No director had a material interest in any contract, other than an employment

contract, that was significant in relation to the group's business at any time during the period.

Substantial shareholdings

The company has been notified of the following interests in 3% or more of the issued share capital of the company:

	4 May 2014	1 July 2014
Capital Research & Management Company	9.10%	9.10%
Standard Life Investments Limited	7.99%	7.99%
AXA S.A.	4.99%	4.99%

Share capital

Details of the authorised and issued share capital of the company, which comprises a single class of shares, ordinary shares of 12½p, are set out in note 26 to the accounts. The rights attaching to the shares are set out in the articles of association. There are no special control rights in relation to the company's shares and the company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights.

A total of 735k ordinary shares, with an aggregate nominal value of £92k were allotted, for cash, during the period in connection with the company's sharesave and executive option schemes. In addition a further 38k shares were acquired by the company to satisfy awards under the company's deferred share option scheme.

The company makes regular use of the employee benefit trust (EBT) to satisfy the exercise of share options and will make market purchases of the company's shares from time to time to ensure that it has sufficient shares to enable it to do so. During October 2013, the EBT made a single market purchase of a total of 200k shares at a total price of £1,546k. The share price was 771.3p per share.

Voting rights

In a general meeting of the company, on a show of hands, every member who is present in person or by proxy and entitled to vote shall have one vote. On a poll every member who is present in person or by proxy shall have one vote for every share of which they are the holder. The AGM notice gives full details of deadlines for exercising voting rights in respect of resolutions to be considered at the meeting.

Under the Free4All Employee Profit Share Scheme, participants are the beneficial owners of the shares but not the registered owners. The registered owner is the trustee, Killik & Co Trustees Ltd. The trustee will invite participants to direct it on the

exercise of any voting rights attaching to the shares held under the scheme by the trustee on the participants' behalf. The trustee will only be entitled to vote on a show of hands if all directions received from participants are identical. The trustee is under no obligation to call for a poll. In the case of a poll, the trustee will follow the directions of the participants.

No voting rights will be exercised in respect of any own shares.

Transfer of shares

There are no restrictions on the transfer of shares in the company other than those which may from time to time be applicable under existing laws and regulations (for example under the Market Abuse Directive).

In addition, pursuant to the Listing Rules of the Financial Conduct Authority, directors of the company and persons discharging managerial responsibility are required to obtain prior approval from the company to deal in the company's securities, and are prohibited from dealing during closed periods.

Change of control

All of the company's share incentive plans contain provisions relating to a change of control and full details of these plans are provided in the directors' remuneration report. Outstanding options and awards would normally vest and become exercisable on a change of control, subject to the satisfaction of performance conditions, if applicable, at that time.

The group's banking facility agreements contain provisions entitling the counterparties to exercise termination or other rights in the event of a change of control. Certain of the company's trading contracts also contain similar provisions.

There are two employees who, on a change of control of the company resulting in the termination of their employment, would be entitled to compensation for loss of office. However, in the context of the company as a whole, these agreements are de minimis.

Articles of association

The company's articles of association may only be amended by special resolution at general meetings of shareholders.

Appointment and replacement of directors

The number of directors on the board shall be no less than five nor more than 12. Directors may be appointed by the company by ordinary resolution or by the board of directors. A director appointed by the board of directors holds office until the next following AGM, and is then eligible for election by the shareholders.

DIRECTORS' REPORT CONTINUED

Appointment and replacement of directors continued

The articles provide that at each AGM all those directors who were elected, or last re-elected, at the AGM held in the third calendar year before the current year shall retire from office and may stand for re-election. In practice directors submit themselves for annual re-election in accordance with the provisions of the UK Corporate Governance Code.

The company may by ordinary resolution, of which special notice has been given, remove any director from office.

Any director automatically ceases to be a director if (i) they give the company a written notice of resignation, (ii) they give the company a written offer to resign and the directors decide to accept this offer, (iii) all of the other directors remove them from office by notice in writing served upon them, (iv) they are or have been suffering from mental ill health and have a court order for their detention or the appointment of a guardian made in respect of them, (v) a bankruptcy order is made against them or they make any arrangement or composition with their creditors generally, (vi) they are prohibited from being a director by law or (vii) they are absent from board meetings for six months without leave and the other directors resolve that their office should be vacated.

Powers of the directors

The business of the company is managed by the directors who may exercise all the powers of the company, subject to its articles of association, any relevant legislation and any directions given by the company by passing a special resolution at a general meeting. In particular, the directors may exercise all the powers of the company to borrow money, issue shares, appoint and remove directors and recommend and declare dividends.

Communications with shareholders

Shareholders who are interested in signing up to e-communications should refer to the shareholders information page for further information on how to register via www.greeneking-shares.com.

Charitable donations

The group continues to support community initiatives and charitable causes, in particular Macmillan Cancer Support, full details of which are given in the corporate social responsibility section of this annual report. The group makes no political donations.

Employment and recruitment policies

It is the company's policy to ensure that employees are recruited, selected, developed, remunerated and promoted on the basis of their skills and suitability for the work performed. The company is committed

to treating all colleagues fairly and equally and will endeavour to provide workplace adaptations and training for colleagues or candidates who have a disability and colleagues who become disabled during their employment.

The company values colleague engagement across the business and produces a monthly publication containing company news and articles, which is circulated to all colleagues. In addition, the company provides regular briefings and presentations to staff on the company's performance and strategy as well as annual and interim results. We are a people business so it is vitally important that we recruit and train the right people to deliver value, service and quality to our customers. The company works in partnership with local communities to promote and provide opportunities for all.

Human rights

Even though the company does not have a formal human rights policy, it is committed to conducting business with integrity and fairness.

Corporate responsibility

Disclosure of the group's greenhouse gas emissions under the new regulations is contained within the corporate responsibility statement on page 38.

Directors' and officers' indemnity insurance

The group has taken out insurance to indemnify, against third party proceedings, the directors of the company whilst serving on the board of the company and of any subsidiary. This cover indemnifies all employees of the group who serve on the boards of all subsidiaries. These indemnity policies subsisted throughout the year and remain in place at the date of this report.

Financial instruments

The group's policy on the use of financial instruments is set out in note 24.

Post balance sheet events

Details of events occurring after the year end are set out in note 32.

Directors' statement as to disclosure of information to the auditor

The directors who were members of the board at the time of approving the directors' report are listed on page 40. Having made enquiries of fellow directors and of the company's auditor, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditor is unaware; and

- each director has 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 auditor is aware of that information.

Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the chief executive's review. The financial position of the group, its cash flows, liquidity position and borrowing facilities are described in the financial review. In addition, note 24 to the financial statements includes the group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit and liquidity risk.

The directors are of the opinion that the group's forecast and projections, which take account of reasonably possible changes in trading performance, and its stress testing to take account of expected payments in respect of uncertain tax positions show that the group should be able to operate within its current borrowing facilities and comply with its financing covenants.

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Auditor

Ernst & Young LLP has expressed its willingness to continue in office and a resolution to re-appoint the firm as the company's auditor will be proposed at the AGM.

Annual general meeting

The AGM will be held at 12 noon on Tuesday 10 September 2014 at the Millennium Grandstand, Rowley Mile Racecourse Conference Centre, Newmarket, Suffolk. The notice of the AGM is set out in the separate circular to shareholders.

The directors consider that all of the resolutions set out in the notice of AGM are in the best interests of the company and its shareholders as a whole. The directors will be voting in favour of them and unanimously recommend that shareholders vote in favour of each of them.

By order of the board

Lindsay Keswick
Company secretary
2 July 2014

DIRECTORS' RESPONSIBILITY STATEMENTS

Statement of directors' responsibilities in respect of the group financial statements

The directors are responsible for preparing the annual report and the group financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards as adopted by the European Union.

Under company law the directors must not approve the group financial statements unless they are satisfied that they present fairly the financial position, financial performance and cash flows of the group for that period. In preparing those group financial statements the directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group's financial position and financial performance;
- state that the group has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements; and
- make judgments and estimates that are reasonable and prudent.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's transactions and disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the group financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of directors' responsibilities in respect of the parent company financial statements

The directors are responsible for preparing the strategic report, 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 those 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 appropriate 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 company 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.

Directors' responsibility statement

The directors confirm, to the best of their knowledge:

- that these financial statements prepared in accordance with IFRS, as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the parent company and undertakings included in the consolidation taken as a whole;
- that the annual report, including the strategic report, includes a fair review of the development and performance of the business and the position of the company and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- having taken into account all matters considered by the board and brought to the attention of the board during the year, the directors consider that the annual report, taken as a whole, is fair, balanced and understandable. The directors believe that the disclosures set out in this annual report provide the information necessary for shareholders to assess the company's performance, business model and strategy.

The directors of Greene King plc are listed on page 40.

T J W Bridge
Director
2 July 2014

R Anand
Director

INDEPENDENT AUDITOR'S REPORT (GROUP)

To the members of Greene King plc

Opinion on financial statements

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 4 May 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

What we have audited

We have audited the group financial statements of Greene King plc for the 53 weeks ended 4 May 2014 which comprise the group income statement, group statement of comprehensive income, group balance sheet, group cash flow statement, group statement of changes in equity and the related notes 1 to 33. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 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 auditor

As explained more fully in the directors' responsibilities statement set out on page 63, the directors are responsible for the preparation of the group 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 group 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 group'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 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Our assessment of risks of material misstatement

We identified the following risks that we believe to have had the greatest impact on our overall audit strategy, the allocation of resources in the audit and directing the efforts of the audit team:

- Asset impairment considerations in relation to the pub estate and associated goodwill;
- Risks relating to uncertain tax positions;
- Compliance with debt covenants;
- Revenue recognition in relation to beer and liquor sales and the associated retrospective discounts; and
- Risk of management override of internal control, specifically with reference to revenue recognition.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the financial statements. For the purposes of determining whether the financial statements are free from material misstatement we define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the financial statements, would be changed or influenced.

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole. We determined materiality for the group to be £8.8m (2013: £8.4m), which is approximately 5% of pre-tax profit. On the basis of our risk assessment, together with our assessment of the group's overall control environment, our judgment is that overall performance materiality for the group should be 75% of materiality, namely £6.6m (2013: £6.3m). Our objective in adopting this approach is to reduce to an appropriately low level the total undetected and uncorrected audit differences such that they do not exceed our materiality of £8.8m (2013: £8.4m) for the financial statements as whole.

We agreed with the audit committee that we would report to the committee all audit differences in excess of £400,000 (2013: £400,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

The group's operations are based solely in the United Kingdom and therefore all audit procedures are completed by one audit team based in the head office location working across both the group and subsidiary financial statement audits.

Full scope audit procedures are completed for all divisions both trading and corporate which contribute to the group's results for the year. The audit work on these divisions was executed at levels of materiality applicable to each individual division, which were lower than group planning materiality.

Our response to the risks of material misstatement identified above was as follows:

- Asset impairment – we have challenged the assumptions used in the impairment models prepared by management, including checking of calculations, discussions with management's internal property experts, verification to third party evidence or our own property specialists and undertaking a sensitivity analysis.
- We have involved tax specialists in the audit of uncertain tax positions. These procedures included the consideration of correspondence with HMRC, assessment of technical analyses prepared by the group's tax advisers and the appropriateness of the judgments applied.
- In testing the group's compliance with banking covenants and procedures in relation to going concern assessment we have obtained copies of the bank agreements and re-performed covenants calculations based on audited information. We have challenged management's going concern assessment and considered the accuracy of the forecasts and level of headroom available to the group within committed facilities. reviewed management's stress testing of forecasts.
- We have performed detailed substantive testing over revenue recognition (including the timing of revenue recognition, proof of delivery, the assessment of collectability and accounting for rebate agreements), substantive analytical review procedures and an assessment of whether the revenue recognition policies adopted complied with IFRS.
- We carried out analytical procedures and journal entry testing in order to identify and test the risk of material fraud arising from management override of control.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and the directors' report for the financial year for which the group financial statements are prepared is consistent with the group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- 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.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 62, in relation to going concern; and
- the part of the corporate governance statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

Other matter

We have reported separately on the parent company financial statements of Greene King plc for the 53 weeks ended 4 May 2014 and on the information in the directors' remuneration report that is described as having been audited.

Bob Forsyth (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Cambridge
2 July 2014

Notes:

1. The maintenance and integrity of the Greene King plc website is the responsibility of the directors; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

GROUP INCOME STATEMENT

For the fifty-three weeks ended 4 May 2014

	Note	2014			2013 restated (note 9)		
		Before exceptional items £m	Exceptional items (note 5) £m	Total £m	Before exceptional items £m	Exceptional items (note 5) £m	Total £m
Revenue	2,3	1,301.6	—	1,301.6	1,194.7	—	1,194.7
Operating costs	4	(1,036.0)	(66.2)	(1,102.2)	(946.5)	(19.0)	(965.5)
Operating profit	2,4	265.6	(66.2)	199.4	248.2	(19.0)	229.2
Finance income	7	0.4	—	0.4	0.4	—	0.4
Finance costs	7	(92.9)	(1.7)	(94.6)	(90.4)	(28.2)	(118.6)
Profit before tax		173.1	(67.9)	105.2	158.2	(47.2)	111.0
Tax	10	(39.8)	30.7	(9.1)	(38.0)	22.4	(15.6)
Profit attributable to equity holders of parent		133.3	(37.2)	96.1	120.2	(24.8)	95.4

	Note	2014		2013 restated (note 9)	
		Before exceptional items	Total	Before exceptional items	Total
Earnings per share					
– basic	12		44.2p		44.1p
– adjusted basic	12	61.4p		55.6p	
– diluted	12		44.0p		43.9p
– adjusted diluted	12	61.1p		55.3p	
Dividends per share (paid and proposed in respect of the period)	11	28.4p		26.6p	

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the fifty-three weeks ended 4 May 2014

	Note	2014 £m	2013 restated (note 9) £m
Profit for the period		96.1	95.4
Other comprehensive income/(loss) to be reclassified to the income statement in subsequent periods:			
Cash flow hedges:			
– Gains/(losses) taken to equity	24	32.0	(69.4)
– Transfers to income statement on cash flow hedges	24	32.1	31.0
– Ineffective portion transferred to income statement	24	–	28.2
Tax on cash flow hedges	10	(19.9)	0.4
		44.2	(9.8)
Items not to be reclassified to the income statement in subsequent periods:			
Actuarial gains/(losses) on defined benefit pension schemes	9	6.8	(12.3)
Tax on actuarial (gain)/losses	10	(3.3)	2.1
		3.5	(10.2)
Other comprehensive income/(expense) for the period, net of tax		47.7	(20.0)
Total comprehensive income for the period, net of tax		143.8	75.4

GROUP BALANCE SHEET

As at 4 May 2014

	Note	As at 4 May 2014 £m	As at 28 April 2013 £m
Non-current assets			
Property, plant and equipment	14	2,169.7	2,211.1
Goodwill	13	703.8	724.8
Financial assets	15	24.2	26.0
Deferred tax assets	10	51.3	76.4
Prepayments		0.3	0.9
Trade and other receivables	19	0.1	0.1
		2,949.4	3,039.3
Current assets			
Inventories	18	30.5	27.0
Financial assets	15	8.6	8.1
Trade and other receivables	19	60.2	73.9
Prepayments		13.3	14.9
Cash and cash equivalents	20	216.2	31.0
		328.8	154.9
Property, plant and equipment held for sale	21	81.7	8.4
		410.5	163.3
Current liabilities			
Borrowings	23	(202.0)	(39.8)
Derivative financial instruments	24	(9.4)	(12.8)
Trade and other payables	22	(256.5)	(249.9)
Income tax payable		(46.5)	(41.1)
Provisions	25	(0.5)	(0.5)
		(514.9)	(344.1)
Non-current liabilities			
Borrowings	23	(1,449.8)	(1,441.6)
Derivative financial instruments	24	(163.0)	(226.4)
Deferred tax liabilities	10	(110.0)	(146.5)
Post-employment liabilities	9	(53.5)	(65.3)
Provisions	25	(6.0)	(7.2)
		(1,782.3)	(1,887.0)
Total net assets		1,062.7	971.5
Issued capital and reserves			
Share capital	26	27.4	27.3
Share premium		256.6	253.8
Capital redemption reserve		3.3	3.3
Hedging reserve		(116.0)	(160.2)
Own shares		(6.3)	(9.1)
Retained earnings		897.7	856.4
Total equity		1,062.7	971.5
Net debt	29	1,435.6	1,450.4

Signed on behalf of the board on 2 July 2014

TJW Bridge
DirectorR Anand
Director

GROUP CASH FLOW STATEMENT

For the fifty-three weeks ended 4 May 2014

	Note	2014 £m	2013 £m
Operating activities			
Operating profit		199.4	229.2
Operating exceptional items		66.2	19.0
Depreciation		64.1	58.3
EBITDA*	2	329.7	306.5
Working capital and non-cash movements	28	(4.5)	6.0
Interest received		0.4	0.4
Interest paid		(83.6)	(83.7)
Tax paid		(37.7)	(32.9)
Net cash flow from operating activities		204.3	196.3
Investing activities			
Purchase of property, plant and equipment		(169.6)	(123.6)
Business combinations (net of cash acquired)	17	—	(0.9)
Advances of trade loans	15	(5.4)	(4.1)
Repayment of trade loans	15	6.7	7.1
Sales of property, plant and equipment		38.4	28.0
Net cash flow from investing activities		(129.9)	(93.5)
Financing activities			
Equity dividends paid	11	(58.7)	(54.5)
Issue of shares		2.9	2.6
Purchase of own shares		(1.9)	(3.5)
Financing costs		(2.6)	—
Repayment of acquired debt	17	—	(1.2)
Repayment of borrowings	29	(89.4)	(57.8)
Advance of borrowings	29	100.0	—
Advance of liquidity facility	29	157.5	—
Net cash flow from financing activities		107.8	(114.4)
Net increase/(decrease) in cash and cash equivalents		182.2	(11.6)
Opening cash and cash equivalents	20	20.2	31.8
Closing cash and cash equivalents	20	202.4	20.2

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

GROUP STATEMENT OF CHANGES IN EQUITY

For the fifty-three weeks ended 4 May 2014

	Note	Share capital (note 26) £m	Share premium (note 27) £m	Capital redemption (note 27) £m	Hedging reserve (note 27) £m	Own shares (note 27) £m	Retained earnings (note 27) (restated) £m	Total £m
At 29 April 2012		27.2	251.3	3.3	(150.4)	(9.6)	823.5	945.3
Profit for the period		—	—	—	—	—	95.4	95.4
Other comprehensive income:								
Actuarial losses on defined benefit pension schemes (net of tax)		—	—	—	—	—	(10.2)	(10.2)
Net loss on cash flow hedges (net of tax)		—	—	—	(9.8)	—	—	(9.8)
Total comprehensive income		—	—	—	(9.8)	—	85.2	75.4
Issue of ordinary share capital	26	0.1	2.5	—	—	—	—	2.6
Release of shares		—	—	—	—	4.0	(4.0)	—
Repurchase of shares		—	—	—	—	(3.5)	—	(3.5)
Share-based payments	8	—	—	—	—	—	3.9	3.9
Tax on share-based payments	10	—	—	—	—	—	2.3	2.3
Equity dividends paid	11	—	—	—	—	—	(54.5)	(54.5)
At 28 April 2013		27.3	253.8	3.3	(160.2)	(9.1)	856.4	971.5
Profit for the period		—	—	—	—	—	96.1	96.1
Other comprehensive income:								
Actuarial gains on defined benefit pension schemes (net of tax)		—	—	—	—	—	3.5	3.5
Net loss on cash flow hedges (net of tax)		—	—	—	44.2	—	—	44.2
Total comprehensive income		—	—	—	44.2	—	99.6	143.8
Issue of ordinary share capital	26	0.1	2.8	—	—	—	—	2.9
Release of shares		—	—	—	—	4.7	(4.7)	—
Repurchase of shares		—	—	—	—	(1.9)	—	(1.9)
Share-based payments	8	—	—	—	—	—	4.4	4.4
Tax on share-based payments	10	—	—	—	—	—	0.7	0.7
Equity dividends paid	11	—	—	—	—	—	(58.7)	(58.7)
At 4 May 2014		27.4	256.6	3.3	(116.0)	(6.3)	897.7	1,062.7

NOTES TO THE ACCOUNTS

For the fifty-three weeks ended 4 May 2014

1 Accounting policies

Corporate information

The consolidated financial statements of Greene King plc for the 53 weeks ended 4 May 2014 were authorised for issue by the board of directors on 2 July 2014. Greene King plc is a public limited company incorporated and domiciled in England and Wales. The company's shares are listed on the London Stock Exchange.

Statement of compliance

The group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU as they apply to the financial statements of the group for the 53 weeks ended 4 May 2014 (prior year 52 weeks ended 28 April 2013) and in accordance with the provisions of the Companies Act 2006.

Basis of preparation

The consolidated financial statements have been prepared in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. They are presented in pounds sterling, with values rounded to the nearest hundred thousand, except where otherwise indicated.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Greene King plc, its subsidiaries and its related party, Greene King Finance plc. Greene King Finance plc is a special purpose entity set up to raise bond finance for the group, which is consolidated as a quasi-subsidiary. The financial statements of subsidiaries are prepared for the same reporting year as the parent company with adjustments made to their financial statements to bring their accounting policies in line with those used by the group.

The results of subsidiaries are consolidated from the date of acquisition, being the date on which the group obtains control, and continue to be consolidated until the date that such control ceases. Intercompany transactions, balances, income and expenses are eliminated on consolidation.

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year, apart from the changes arising from the adoption of new accounting standards set out below:

The Group applied, for the first time, certain standards and amendments that require restatement of previous financial statements. These include amendments to IAS 1 Presentation of Financial Statements and IAS 19 Employee Benefits (Revised 2011).

IAS 1 Presentation of Items of Other Comprehensive Income (amendments to IAS 1)

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time, for example net gains on cash flow hedges taken to equity, are now presented separately from items that will never be reclassified, for example actuarial gains and losses on defined benefit pension schemes. The amendment has affected the presentation of the consolidated statement of comprehensive income but has had no impact on the group's financial position or performance.

IAS 19 Employee Benefits (revised 2011)

IAS 19 (revised 2011) has been applied retrospectively from 30 April 2012 with comparatives restated for the impact of its adoption. The standard replaces interest costs and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net pension liability/asset. The impact of IAS 19 (revised 2011) on the current and comparative period is shown in note 9.

IAS 19 (revised) has been applied retrospectively, with the following permitted exceptions:

- the carrying amounts of other assets have not been adjusted for changes in employee benefit costs that were included before 28 April 2012; and
- sensitivity disclosures for the defined benefit obligation for the comparative period have not been provided.

IFRS 13 Fair Value Measurement

IFRS 13 applies prospectively for financial periods that began on or after 1 January 2013 and establishes a single source of guidance under IFRS for all fair value measurement. IFRS 13 does not change when an entity is required to use fair values, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted and extends the disclosures required in respect of fair value measurement. The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The default risk, i.e. the entity's own credit risk, must also be reflected in the fair value of a liability. The implementation of IFRS 13 has resulted in a non-significant adjustment to the fair value of derivatives.

Significant accounting policies

Property, plant and equipment

Property, plant and equipment is stated at cost or deemed cost on transition to IFRS, less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset.

Freehold land is not depreciated. Freehold and long leasehold buildings are depreciated to their estimated residual values over periods up to 50 years, and short leasehold improvements are depreciated to their estimated residual values over the shorter of the remaining term of the lease or useful life of the asset. Residual value is reviewed at least at each financial year end and there is no depreciable amount if residual value is the same as, or exceeds, book value. Plant and equipment assets are depreciated over their estimated lives which range from three to 20 years.

Residual values, useful lives and methods of depreciation are reviewed for all categories of property, plant and equipment and adjusted, if appropriate, at each financial year end.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use. Profit or loss on de-recognition is calculated as the difference between the net disposal proceeds and the carrying amount of the asset, and is included in the income statement in the year of de-recognition.

NOTES TO THE ACCOUNTS CONTINUED

For the fifty-three weeks ended 4 May 2014

1 Accounting policies continued

Significant accounting policies continued

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. The choice of measurement of non-controlling interests, either at fair value or at the proportionate share of the acquiree's identifiable net assets, is determined on a transaction by transaction basis. Acquisition costs incurred are taken to the income statement.

When the group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

Any contingent consideration to be transferred to the vendor will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which are deemed to be an asset or a liability will be recognised in accordance with IAS 39 either in the income statement or in other comprehensive income. If the contingent consideration is classified as equity, it should not be re-measured until it is finally settled within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest over the net identifiable amounts of the assets acquired and liabilities assumed in exchange for the business combination. Assets acquired and liabilities assumed in transactions separate to the business combinations, such as the settlement of pre-existing relationships or post-acquisition remuneration arrangements, are accounted for separately from the business combination in accordance with their nature and applicable IFRSs. Identifiable intangible assets, meeting either the contractual-legal or separability criterion, are recognised separately from goodwill. Contingent liabilities representing a present obligation are recognised if the acquisition-date fair value can be measured reliably.

If the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest is lower than the fair value of the assets, liabilities and contingent liabilities and the fair value of any pre-existing interest held in the business acquired, the difference is recognised in the income statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Impairment

Property, plant and equipment

Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash inflows independent of the cash inflows of other groups of assets.

An assessment is made at each reporting date as to whether there is an indication of impairment. If an indication exists, the group makes an estimate of the recoverable amount of each asset group. An asset's or cash-generating unit's recoverable amount is the higher of its fair value less costs to sell and value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

An impairment loss is recognised where the recoverable amount is lower than the carrying value of assets. If there is an indication that any previously recognised impairment losses may no longer exist or may have decreased, a reversal of the loss may be made only if there has been a change in the estimates used to determine the recoverable amounts since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount only up to the carrying amount that would have resulted, net of depreciation, had no impairment loss been recognised for the asset in prior years.

Impairment losses and any subsequent reversals are recognised in the income statement.

Details of the impairment losses recognised in respect of property, plant and equipment are provided in note 14.

Goodwill

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash-generating units (or groups of cash-generating units) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which goodwill is allocated represents the lowest level within the group at which goodwill is monitored for internal management purposes and cannot be larger than an operating segment before aggregation.

Impairment is determined by the recoverable amount of an operating segment. Where this is less than the carrying value of the operating segment an impairment loss is recognised immediately in the income statement. This loss cannot be reversed in future periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, any goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Goodwill amortised prior to the conversion to IFRS on 3 May 2004 has not been reinstated and the net book value of goodwill at that date has been carried forward as the carrying value. Prior to May 1998, goodwill was written off to reserves. Such goodwill has not been reinstated and is not included in determining profit or loss on disposal.

Financial instruments

Financial instruments are recognised when the group becomes party to the contractual provisions of the instrument and are de-recognised when the group no longer controls the contractual rights that comprise the financial instrument, normally through sale or when all cash flows attributable to the instrument are passed to an independent third party.

Financial assets

Financial assets are classified as either financial assets at fair value through the income statement, loans and receivables, held-to-maturity investments or available-for-sale financial assets. The group determines the classification of its financial assets at initial recognition and, where appropriate, re-evaluates this designation at each financial year end.

The group makes trade loans to publicans who purchase the group's beer. Trade loans are non-derivative and are not quoted in an active market and have therefore been designated as 'Loans and receivables', carried at amortised cost using the effective interest method. Gains and losses are recognised in income when the loans and receivables are de-recognised or impaired, as well as through the amortisation process.

The group assesses at each balance sheet date whether any individual trade loan is impaired. If there is evidence that an impairment loss has been incurred, the amount of loss is measured as the difference between the loan's carrying amount and the expected future receipts, (excluding future credit losses that have not been incurred), discounted at the loan's original effective interest rate. The loss is recognised in operating profit.

Trade receivables

Trade receivables are recorded at their original invoiced amount less an allowance for any doubtful amounts when collection of the full amount is no longer considered probable.

Inventories

Inventories are valued at the lower of cost and net realisable value. Raw materials are valued at average cost. Finished goods and work in progress comprise materials, labour and attributable production overheads where applicable, and are valued at average cost.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Property, plant and equipment held for sale

Property, plant and equipment is classified as held for sale only if it is available for sale in its current condition, management is committed to the sale and a sale is highly probable and expected to be completed within one year from the date of classification. Property, plant and equipment classified as held for sale is measured at the lower of carrying amount and fair value less costs to sell and is no longer depreciated or amortised.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at fair value of the consideration received, net of issue costs. After initial recognition, interest-bearing loans and borrowings are measured at amortised cost using the effective interest method.

Finance costs and income

Finance costs are expensed to the income statement using the effective interest method. Finance income is recognised in the income statement using the effective interest method.

Derivative financial instruments and hedge accounting

The group uses interest rate swaps to hedge its exposure to interest rate fluctuations on its variable rate loans, notes and bonds.

Interest rate swaps are initially measured at fair value, if any, and carried on the balance sheet as an asset or liability. Subsequent measurement is at fair value determined by reference to market values for similar instruments. If a derivative does not qualify for hedge accounting the gain or loss arising on the movement in fair value is recognised in the income statement.

Hedge accounting

To qualify for hedge accounting the hedge relationship must be designated and documented at inception. Documentation must include the group's risk management objective and strategy for undertaking the hedge and formal allocation to the item or transaction being hedged. The group also documents how it will assess the effectiveness of the hedge and carries out assessments on a regular basis to determine whether it has been, and is likely to continue to be, highly effective.

Hedges can be classified as either fair value (hedging exposure to changes in fair value of an asset or liability), or cash flow (hedging the variability in cash flows attributable to an asset, liability, or forecast transaction). The group uses its interest rate swaps as cash flow hedges.

Cash flow hedge accounting

The effective portion of the gain or loss on an interest rate swap is recognised directly in equity, whilst any ineffective portion is recognised immediately in the income statement.

Amounts taken to equity are transferred to the income statement in the same period that the financial income or expense is recognised, unless the hedged transaction results in the recognition of a non-financial asset or liability whereby the amounts are transferred to the initial carrying amount of the asset or liability.

When a hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting, amounts previously recognised in equity are held there until the previously hedged transaction affects profit or loss. If the hedged transaction is no longer expected to occur, the cumulative gain or loss recognised in equity is immediately transferred to the income statement.

Trade payables

Trade payables are non-interest bearing and are stated at their nominal value.

NOTES TO THE ACCOUNTS CONTINUED

For the fifty-three weeks ended 4 May 2014

1 Accounting policies continued

Significant accounting policies continued

Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation.

Provisions are discounted to present value, where the effect of the time value of money is material, using a pre-tax discount rate that reflects current market estimates of the time value of money and the risks specific to the liability. The amortisation of the discount is recognised as a finance cost.

Pensions and other post-employment benefits

Defined benefit pension schemes

The group operates a number of defined benefit pension schemes which require contributions to be made into separately administered funds. The cost of providing benefits under the schemes is determined separately for each plan using the projected unit credit actuarial method on an annual basis. The current service cost is charged to operating profit. Any actuarial gains and losses are recognised in full in the group statement of comprehensive income in the period in which they occur.

When a settlement or curtailment occurs the obligation and related scheme assets are re-measured and the resulting gain or loss is recognised in the income statement in the same period.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset and is recorded in the group income statement.

The defined benefit asset or liability recognised on the balance sheet comprises the present value of the schemes' obligations less the fair value of scheme assets. Defined benefit assets are restricted to the extent that they are considered recoverable.

Defined contribution pension schemes

The cost of the group's defined contribution pension schemes amounts to the value of contributions made. Contributions are charged to the income statement as they become payable.

Post-employment healthcare benefit

The group also provided certain additional post-employment healthcare benefits to employees which are unfunded.

Share-based payments

Certain employees and directors receive equity-settled remuneration, whereby they render services in exchange for shares or rights over shares. The fair value of the shares and options granted are measured using a Black-Scholes model, at the date at which they were granted. No account is taken in the fair value calculation of any vesting conditions (service and performance), other than market conditions (performance linked to the price of the shares of the company). Any other conditions that are required to be met in order for an employee to become fully entitled to an award are considered non-vesting conditions. Like market performance conditions, non-vesting conditions are taken into account in determining the grant date fair value. The fair value of shares and options granted is recognised as an employee expense with a corresponding increase in equity spread over the period in which the vesting conditions are fulfilled ending on the relevant vesting date. The cumulative amount recognised as an expense reflects the extent to which the vesting period has expired, adjusted for the estimated number of shares and options that are ultimately expected to vest. The periodic charge or credit is the movement in the cumulative position from beginning to end of that period.

No expense is recognised for awards that do not ultimately vest provided vesting is not conditional on market or non-vesting conditions. The dilutive effect of outstanding options is reflected as additional share dilution in calculating earnings per share figures.

Own shares

Own shares consist of treasury shares and shares held within an employee benefit trust. The group has an employee benefit trust for the granting of shares to applicable employees.

Own shares are recognised at cost as a deduction from shareholders' equity. Subsequent consideration received for the sale of such shares is also recognised in equity, with any difference between the sale proceeds from the original cost being taken to revenue reserves. No gain or loss is recognised in the performance statements on transactions in treasury shares.

Revenue

Generally, revenue represents external sales (excluding taxes) of goods and services, net of discounts. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and is measured at the fair value of consideration receivable, excluding discounts, rebates, and other sales taxes or duty relating to brewing and packaging of certain products. Revenue principally consists of drink, food and accommodation sales, which are recognised at the point at which goods or services are provided, rental income, which is recognised on a straight-line basis over the lease term and machine income, where net takings are recognised as earned.

Operating leases

Leases where the lessor retains substantially all the risks and benefits of ownership are classified as operating leases. Lease payments are recognised as an expense in the income statement on a straight-line basis over the period of the lease.

Lease premiums paid on entering into or acquiring operating leases represent prepaid lease payments and are held on the balance sheet as current (the portion relating to the next financial period) or non-current prepayments. These are amortised on a straight-line basis over the lease term.

Taxes

Income tax

The income tax charge comprises both the income tax payable based on profits for the year and the deferred income tax. It is calculated using taxation rates enacted or substantively enacted by the balance sheet date and is measured at the amount expected to be recovered from or paid to the taxation authorities.

Income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred tax

Deferred tax is provided for using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying values in the financial statements.

Deferred tax is recognised for all temporary differences except where the deferred tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss or, in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences and carry forward of unused tax losses only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured, on an undiscounted basis, at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Exceptional items

Exceptional items are defined as items of income or expense which, because of their nature, size or expected frequency, merit separate presentation to allow a better understanding of the financial performance in the period.

New standards and interpretations not applied

As at the date of approval of the financial statements there are a number of standards and interpretations issued by the IASB and IFRIC with an effective date after the date of these financial statements and which have not been early adopted by the group. These are expected to be applied as follows:

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments was first issued in November 2009 and has since been amended several times. The standard will eventually replace IAS 39 and covers the classification, measurement and de-recognition of financial assets and financial liabilities, together with a new hedge accounting model. The IASB intends to expand IFRS 9 to add new requirements for impairment and for it to become a complete replacement of IAS 39 for periods beginning on or after 1 January 2018. The adoption of the first phase of IFRS 9 will have an effect on classification and measurement of the group's financial assets, but will not have an impact on classification and measurement of financial liabilities. The group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the portion of IAS 27 that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation – Special Purpose Entities, which resulted in SIC-12 being withdrawn. IFRS 10 changes whether an entity is consolidated by revising the definition of control and is effective for accounting periods beginning on or after 1 January 2014. There is no impact on the group's financial position or performance as a result of the introduction of this standard.

IFRS 12 Disclosure of Interests in Other Entities

The new standard, which is effective for accounting periods beginning on or after 1 January 2014, sets out the required disclosures for entities reporting under IFRS 10 and IFRS 11 that were previously included in IAS 27, IAS 28 and IAS 31. The standard includes disclosure requirements for all forms of interest in other legal entities, including subsidiaries, joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. The impact on the group is on disclosure in the consolidated financial statements only, where summarised information may need to be provided.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 is effective for financial years beginning on or after 1 January 2017 and establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise. The core principle in that framework is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The standard was published in May 2014 and the impact of its introduction has yet to be assessed by the group.

NOTES TO THE ACCOUNTS CONTINUED

For the fifty-three weeks ended 4 May 2014

1 Accounting policies continued

New standards and interpretations not applied continued

IFRS 15 Revenue from Contracts with Customers continued

The following standards and interpretations are relevant to the group though they have been assessed as having no financial impact or additional disclosure requirements at this time:

- IFRS 11 Joint Arrangements
- IAS 28 Associates and Joint Ventures (Amendment)
- IAS 32 Offsetting Financial Assets and Financial Liabilities (Amendment)
- IAS 36 Recoverable Amount Disclosures for Non-financial Assets (Amendment)
- IAS 39 Novation of Derivatives and Continuation of Hedge Accounting (Amendment)
- IFRS 10, IFRS 12 and IAS 27 Investment Entities (Amendment)
- IFRS 11 Joint Arrangements (Amendment)
- IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation (Amendment)
- IAS 28 Associates and Joint Ventures (Amendment)
- IAS 19 Defined Benefit Plans: Employee Contributions (Amendment)
- Improvements to International Financial Reporting Standards (2010-2012 Cycle)
 - IFRS 2 Share-based Payments
 - IFRS 3 Business Combinations
 - IFRS 8 Operating Segments
 - IFRS 13 Fair Value Measurements
 - IAS 24 Related Party Disclosures
- Improvements to International Financial Reporting Standards (2011-2013 Cycle)
 - IFRS 3 Business Combinations
 - IFRS 13 Fair Value Measurements

Significant accounting judgments and estimates

The preparation of financial statements requires management to make judgments, estimates and assumptions in the application of accounting policies that affect reported amounts of assets and liabilities, income and expense. The group bases its estimates and judgments on historical experience and other factors deemed reasonable under the circumstances, including any expectations of future events. Actual results may differ from these estimates. The estimates and assumptions considered to be significant are detailed below.

Taxation

Judgment is required when determining the provision for taxes as the tax treatment of some transactions cannot be finally determined until a formal resolution has been reached with the tax authorities. Assumptions are also made around the assets which qualify for capital allowances and the level of disallowable expenses and this affects the income tax calculation. Provisions are also made for uncertain exposures which can have an impact on both deferred and current tax. Tax benefits are not recognised unless it is probable that the benefit will be obtained and tax provisions are made if it is possible that a liability will arise. The final resolution of these transactions may give rise to material adjustments to the income statement and/or cash flow in future periods. The group reviews each significant tax liability or benefit each period to assess the appropriate accounting treatment.

Share-based payments

Judgment is required when calculating the fair value of awards made under the group's share-based payment plans. Note 8 describes the key assumptions and valuation model inputs used in the determination of these values. In addition estimates are made of the number of awards that will ultimately vest; judgment is required in relation to the probability of meeting non-market based performance conditions and the continuing participation of employees in the plans.

Pension liabilities

The present values of pension liabilities are determined on an actuarial basis and depend on a number of actuarial assumptions which are disclosed in note 9. Any change in these assumptions will impact on the carrying amount of pension liabilities. Note 9 describes the key assumptions used in the accounting for retirement benefit obligations.

Impairment of goodwill

The group determines whether goodwill is impaired on at least an annual basis. Details of the tests and carrying value of the assets are shown in note 13. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Value-in-use calculations require assumptions to be made regarding the expected future cash flows from the cash-generating unit and choice of a suitable discount rate in order to calculate the present value of those cash flows. If the actual cash flows are lower than estimated, future impairments may be necessary.

Impairment of property, plant and equipment

The group determines whether property, plant and equipment is impaired where there are indicators of impairment. This requires an estimation of the value in use at a site level. Value-in-use calculations require assumptions to be made regarding the expected future cash flows from the cash-generating unit and choice of a suitable discount rate in order to calculate the present value of those cash flows.

Note 14 describes the assumptions used in the impairment testing of property, plant and equipment together with an analysis of the sensitivity to changes in key assumptions.

Residual values

Residual values of property are determined with reference to current market property trends. If residual values were lower than estimated, an impairment of asset value and reassessment of future depreciation charge may be required. Useful lives are reassessed annually which may lead to an increase or reduction in depreciation accordingly.

Property provisions

The group provides for its onerous obligations under operating leases where the property is closed or vacant and for properties where rental expense is in excess of income. The estimated timings and amounts of cash flows are determined using the experience of internal and external property experts. However, changes to the expected method of exiting from the obligation could lead to changes in the level of provision recorded.

2 Segment information

The group has determined the following three reportable segments that are largely organised and managed separately according to the nature of products and services provided, brands, distribution channels and profile of customers:

Retail: Managed pubs and restaurants

Pub Partners: Tenanted and leased pubs

Brewing & Brands: Brewing, marketing and selling beer

These are also considered to be the group's operating segments and are based on the information presented to the chief executive who is considered to be the chief operating decision maker.

Transfer prices between operating segments are set on an arm's length basis.

2014	Retail £m	Pub Partners £m	Brewing & Brands £m	Corporate £m	Total operations £m
Revenue	963.0	149.6	189.0	—	1,301.6
Operating costs	(775.3)	(84.3)	(158.6)	(17.8)	(1,036.0)
Segment operating profit	187.7	65.3	30.4	(17.8)	265.6
Exceptional items					(66.2)
Net finance costs					(94.2)
Income tax expense					(9.1)
					96.1
Balance sheet					
Segment assets	1,991.1	697.2	361.1	43.0	3,092.4
Unallocated assets*					267.5
	1,991.1	697.2	361.1	43.0	3,359.9
Segment liabilities	(96.6)	(10.0)	(67.5)	(88.9)	(263.0)
Unallocated liabilities*					(2,034.2)
	(96.6)	(10.0)	(67.5)	(88.9)	(2,297.2)
Net assets	1,894.5	687.2	293.6	(45.9)	1,062.7
Other segment information					
Capital expenditure – tangible assets	146.3	20.1	4.9	4.3	175.6
Goodwill disposed	(0.3)	(6.1)	—	—	(6.4)
Impairment of property, plant and equipment	(3.5)	(18.5)	—	—	(22.0)
Impairment of disposal group	—	(34.2)	—	—	(34.2)
Depreciation	(48.8)	(9.6)	(5.7)	—	(64.1)
EBITDA**	236.5	74.9	36.1	(17.8)	329.7

* Unallocated assets/liabilities comprise cash, borrowings, pensions, net deferred tax, net current tax, and derivatives.

** EBITDA represents earnings before interest, tax, depreciation and exceptional items and is calculated as operating profit before exceptionals adjusted for the depreciation charge for the period.

NOTES TO THE ACCOUNTS CONTINUED

For the fifty-three weeks ended 4 May 2014

2 Segment information continued

2013	Retail £m	Pub Partners £m	Brewing & Brands £m	Corporate £m	Total operations £m (restated)
Revenue	863.6	153.7	177.4	—	1,194.7
Operating costs	(695.9)	(85.6)	(147.4)	(17.6)	(946.5)
Segment operating profit	167.7	68.1	30.0	(17.6)	248.2
Exceptional items					(19.0)
Net finance costs					(118.2)
Income tax expense					(16.5)
					94.5
Balance sheet					
Segment assets	1,885.6	794.2	370.6	44.8	3,095.2
Unallocated assets*					107.4
	1,885.6	794.2	370.6	44.8	3,202.6
Segment liabilities	(91.2)	(12.2)	(66.2)	(88.0)	(257.6)
Unallocated liabilities*					(1,973.5)
	(91.2)	(12.2)	(66.2)	(88.0)	(2,231.1)
Net assets	1,794.4	782.0	304.4	(43.2)	971.5
Other segment information					
Capital expenditure – tangible assets	105.2	16.5	2.7	1.1	125.5
Capital expenditure – business combinations	3.0	—	—	—	3.0
Goodwill disposed	(0.2)	(4.3)	—	—	(4.5)
Impairment of property, plant and equipment	(3.8)	(15.5)	—	—	(19.3)
Depreciation	(44.6)	(8.2)	(5.4)	(0.1)	(58.3)
EBITDA**	212.3	76.3	35.4	(17.5)	306.5

* Unallocated assets/liabilities comprise cash, borrowings, pensions, net deferred tax, net current tax, and derivatives.

** EBITDA represents earnings before interest, tax, depreciation and exceptional items and is calculated as operating profit before exceptionals adjusted for the depreciation charge for the period.

Management reporting and controlling systems

Management monitors the operating results of its strategic business units separately for the purpose of making decisions about allocating resources and assessing performance. Segment performance is measured based on segment operating profit or loss referred to as trading profit in our management and reporting systems. Included within the corporate column in the table above are functions managed by a central division.

No information about geographical regions has been provided as the group's activities are predominantly domestic.

3 Revenue

Revenue is analysed as follows:

	2014 £m	2013 £m
Goods	1,204.7	1,100.1
Services	96.9	94.6
	1,301.6	1,194.7

4 Other income and expenses

Operating profit is stated after charging:

	2014			2013		
	Before exceptional items £m	Exceptional items £m	Total £m	Before exceptional items £m	Exceptional items £m	Total £m
Changes in inventory of finished goods and work in progress	65.4	—	65.4	71.1	—	71.1
Cost of products sold recognised as an expense	451.7	—	451.7	401.4	—	401.4
Employment costs (note 6)	323.4	—	323.4	291.7	—	291.7
Depreciation of property, plant and equipment	64.1	—	64.1	58.3	—	58.3
Operating lease rentals						
– minimum lease rentals	17.9	—	17.9	16.9	—	16.9
Other operating charges	113.5	59.8	173.3	107.1	12.3	119.4
Net loss/(profit) on disposal	—	6.4	6.4	—	6.7	6.7
	1,036.0	66.2	1,102.2	946.5	19.0	965.5

Fees paid to the auditor during the period consisted of:

	2014 £m	2013 £m
Audit of the consolidated financial statements	0.2	0.2
Audit of subsidiaries	0.1	0.1
Tax advisory services	0.1	—
Included in other operating charges	0.4	0.3

Fees paid in respect of tax advisory services are shown net of amounts recharged to third parties.

5 Exceptional items

	2014 £m	2013 £m
Included in operating profit		
Impairment of disposal group (note 21)	34.2	—
Impairment of property, plant and equipment (note 14)	22.0	17.7
Impairment of property, plant and equipment resulting from fire damage (note 14)	—	1.6
Exceptional VAT	7.0	—
Insurance proceeds	(3.4)	(0.8)
Net loss on disposal of property, plant and equipment and goodwill	6.4	5.4
Other loss on disposal	—	1.3
Acquisition and other related costs	—	2.2
Pension and post-employment liabilities credit	—	(8.4)
	66.2	19.0
Included in financing costs		
Interest on tax adjustment in respect of prior periods	1.1	—
Ineffective cash flow hedges – fair value gains	(1.1)	—
Ineffective cash flow hedges – transfer from equity	—	28.2
Interest on exceptional VAT	1.7	—
Total exceptional items before tax	67.9	47.2
Tax impact of exceptional items	(10.5)	(9.0)
Tax credit in respect of the licensed estate	(6.5)	(7.5)
Tax credit in respect of rate change	(18.8)	(6.1)
Adjustment in respect of prior periods – income tax	3.9	(20.8)
Adjustment in respect of prior periods – deferred tax	1.2	21.0
Total exceptional tax	(30.7)	(22.4)
Total exceptional items after tax	37.2	24.8

NOTES TO THE ACCOUNTS CONTINUED

For the fifty-three weeks ended 4 May 2014

5 Exceptional items continued

Exceptional operating costs

On 1 May 2014 the group announced the disposal of 275 non-core pubs from our Pub Partners estate; this disposal completed on 2 June 2014. An impairment charge totalling £34.2m has been recognised as a result of this disposal: £19.6m in respect of the carrying value of the assets and a charge of £14.6m relating to the impairment of goodwill allocated to these sites.

During the period the group has recognised an impairment loss of £22.0m (2013: £17.7m) in respect of its licensed estate. The impairment has been recognised in respect of pubs where the higher of value in use and fair value less costs to sell has fallen below the net book value.

During the period ended 2 May 2010 the group received a refund of £7.0m from HMRC in respect of VAT on gaming machines following a ruling involving the Rank Group plc that the application of VAT contravened the EU's principle of fiscal neutrality. HMRC appealed the ruling, issuing protective assessments to recover the VAT in the event its appeal was successful. On 30 October 2013 the decision was overturned and the group was therefore required to repay the VAT of £7.0m and associated interest of £1.7m in the period. On 16 April 2014 the Supreme Court granted Rank permission to appeal which is likely to be heard in early 2015.

In the period, the group received insurance compensation to meet the costs of restoring fire-damaged sites totalling £3.4m (2013: £0.8m). Further amounts are receivable as the projects progress.

Acquisition costs in the prior year were in respect of amounts payable, two years post acquisition and subject to the future profitability of the businesses, to the former owners of Cloverleaf Restaurants and Realpubs, who remained employees of the group.

Following the closure of the group's defined benefit pension schemes to future accrual an exceptional credit of £8.4m was recognised in the prior year. This comprised a gain of £10.1m in respect of past service accruals no longer being linked to future salary growth less £1.7m of implementation costs and fees.

The net loss on disposal of property plant and equipment of £6.4m (2013: £5.4m loss) comprises a total profit on disposal of £8.0m (2013: £6.9m) and a total loss on disposal of £14.4m (2013: £12.3m). The loss on disposal includes £6.4m (2013: £4.5m) in respect of goodwill allocated to parts of operating segments disposed of in the year. The other loss on disposal of £1.3m relates to the loss on disposal of an investment in the prior year.

Exceptional finance costs

The £1.1m fair value gain is the mark-to-market movement on the ineffective element of cash flow hedges resulting from changes in the LIBOR yield curve.

Exceptional tax

The tax credit in respect of the licensed estate arisen from movements in their tax base cost, including the impact of indexation.

The Finance Act 2013 reduced the rate of corporate tax from 23% to 21% from 1 April 2014 and to 20% from 1 April 2015. The lower rate of 20% has been used to determine the overall net deferred liability as the temporary differences are expected to reverse at the lower rate. The effect of the lower rate is to reduce the deferred tax provision by a net £9.1m, comprising a credit to the group income statement of £18.8m and a debit to the group statement of comprehensive income of £9.7m.

The adjustment in respect of prior periods' income tax arises from finalising the tax returns for earlier periods including tax relief for capital expenditure and repairs and reversal of tax relief previously taken on intra-group transactions.

The adjustment in respect of prior periods' deferred tax arises from finalising the tax returns and also deferred tax on revaluation and rolled over gains on the licensed estate.

6 Employment costs

	2014 £m	2013 £m
Wages and salaries	293.3	265.1
Other share-based payments (note 8)	4.4	3.9
Total wages and salaries	297.7	269.0
Social security costs	21.3	18.8
Other pension costs (note 9)		
– defined benefit	—	1.7
– defined contribution	4.4	2.2
	323.4	291.7

The total expense of share-based payments relates to equity-settled schemes.

The average number of employees during the period was as follows:

	2014	2013
Retail	21,263	21,127
Pub Partners	55	61
Brewing & Brands	829	832
Corporate	430	412
	22,577	22,432

The figures above include 12,132 (2013: 12,054) part-time employees.

Details of directors' emoluments are shown in the directors' remuneration report on pages 54 to 60.

7 Finance (costs)/income

	2014			2013		
	Before exceptional items £m	Exceptional items £m	Total £m	Before exceptional items (restated) £m	Exceptional items £m	Total (restated) £m
Bank loans and overdrafts	(11.6)	—	(11.6)	(9.3)	—	(9.3)
Other loans	(79.8)	—	(79.8)	(77.9)	—	(77.9)
Ineffective element of cash flow hedges	1.6	1.1	2.7	—	—	—
Ineffective cash flow hedges – transfer from equity	—	—	—	—	(28.2)	(28.2)
Interest on tax adjustment in respect of prior period	—	(2.8)	(2.8)	—	—	—
Unwinding of discount element of provisions	(0.6)	—	(0.6)	(0.5)	—	(0.5)
Net finance cost from pensions	(2.5)	—	(2.5)	(2.7)	—	(2.7)
Total finance costs	(92.9)	(1.7)	(94.6)	(90.4)	(28.2)	(118.6)
Bank interest receivable	0.4	—	0.4	0.4	—	0.4
Total finance income	0.4	—	0.4	0.4	—	0.4
Net finance costs	(92.5)	(1.7)	(94.2)	(90.0)	(28.2)	(118.2)

8 Share-based payment plans

The group operates three types of share-based payment arrangements: a senior management long-term incentive plan (LTIP/growth LTIP), a deferred share scheme for other management and a general employee share option plan (SAYE). In prior periods a deferred bonus scheme and an executive share option plan (ESOS) have also been operated.

The general terms of each plan are detailed in the directors' remuneration report on pages 49 to 60. All are equity settled.

The total charge recognised for the period arising from share-based payment transactions including National Insurance contributions is £6.0m (2013: £5.0m). A corresponding credit of £4.4m (2013: £3.9m) has been recognised in equity.

The fair value of the LTIP/growth LTIP issued in 2014 is considered to be equal to the share price on the date of issue.

The fair value of equity-settled options issued in prior years was estimated using a Black-Scholes model. The fair value of the grants and model inputs used to calculate the fair values of grants during the period was as follows:

2014	SAYE	
Weighted average share price	865p	
Exercise price	701p	
Expected dividend yield	3.3%	
Risk-free rate of return	0.6%	
Volatility	21.6%	
Expected life (years)	3.3	
Weighted average fair value of grants in the year	163p	
2013	LTIP	SAYE
Weighted average share price	596p	708p
Exercise price	—	505p
Expected dividend yield	4.5%	3.8%
Risk-free rate of return	0.2%	0.6%
Volatility	23.8%	22.0%
Expected life (years)	3.0	3.3
Weighted average fair value of grants in the year	521p	168p

Risk-free rate of return is the yield on zero coupon UK government bonds with the same life as the expected option life. Expected volatility is based on historical volatility of the company's share price which assumes that the past trend in share price movement is indicative of future trends. Expected life of options has been taken as the mid-point of the relevant exercise period. This is not necessarily indicative of future exercise patterns.

No other feature of the equity instruments granted was incorporated into the fair value measurement.

NOTES TO THE ACCOUNTS CONTINUED

For the fifty-three weeks ended 4 May 2014

8 Share-based payment plans continued

Movement in outstanding options and rights during the period is as follows:

ESOS

	Number of options		Weighted average exercise price	
	2014 m	2013 m	2014 p	2013 p
Outstanding at the beginning of the period	0.6	1.0	472	451
Forfeited	—	—	493	528
Exercised	(0.3)	(0.4)	444	412
Outstanding at the end of the period	0.3	0.6	506	472
Exercisable at the end of the period	0.3	0.6	506	472

SAYE

	Number of options		Weighted average exercise price	
	2014 m	2013 m	2014 p	2013 p
Outstanding at the beginning of the period	1.8	2.0	400	363
Granted	0.4	0.6	701	507
Forfeited	(0.2)	(0.3)	446	407
Exercised	(0.4)	(0.5)	329	336
Outstanding at the end of the period	1.6	1.8	502	400
Exercisable at the end of the period	0.2	0.4	349	308

LTIP

	Number of shares	
	2014 m	2013 m
Outstanding at the beginning of the period	2.7	2.9
Granted	0.9	0.9
Forfeited	(0.2)	(0.3)
Vested	(0.9)	(0.8)
Outstanding at the end of the period	2.5	2.7
Exercisable at the end of the period	—	—

The options and shares granted under the LTIP are at nil cost; therefore the weighted average exercise price for rights outstanding at the beginning and end of the period, granted, forfeited and exercised during the period is £nil (2013: £nil).

ESOS, SAYE and LTIP

Options were exercised on a range of dates. The weighted average share price through the period was 841p in 2014 and 607p in 2013.

The rights outstanding at 4 May 2014 under the LTIP had an exercise price of £nil (2013: £nil) and a weighted average remaining contractual life of 1.3 years (2013: 1.3 years).

The outstanding options for the ESOS scheme had an exercise price between 408p and 528p (2013: 332p and 528p) and for the SAYE scheme between 274p and 701p (2013: 274p and 505p).

The weighted average remaining contractual life was 1.1 years for the ESOS (2013: 1.8 years) and 2.8 years for the SAYE scheme (2013: 2.8 years).

Deferred share bonus scheme

In the prior period selected senior executives participated in a deferred share bonus scheme. Awards made under this scheme are based on a percentage of salary and are paid in shares. Awards are made to eligible employees on the achievement of corporate targets and vest once required service periods are completed.

During the year 0.04m (2013: 0.05m) shares were purchased to fulfil awards made in 2012/2013 (2011/2012) under this scheme.

9 Pensions

The group maintains two defined contribution scheme, which are open to all new employees, and two defined benefit schemes.

The group also has a past service liability in relation to post-employment medical benefits offered to employees to cover any medical costs after employment. This benefit is no longer given to employees.

Defined contribution pension scheme

Member funds for the defined contribution schemes are held and administered by the Friends Life Group. The total cost recognised in operating profit for the period was £4.4m (2013: £2.2m).

Defined benefit pension schemes and post-employment benefits

The group maintains the following defined benefit schemes which are all closed to new entrants and were closed to future accrual during the prior year. All schemes have had full actuarial valuations in the last three years: Greene King Pension Scheme (last valued as at 5 April 2012) and Belhaven Pension Scheme (last valued as at 4 May 2011). During the year the Hardys & Hansons Pension Scheme merged with Greene King Pension Scheme.

Member funds for the defined benefit schemes are held in separate funds independently of the group's finances and are administered by pension trustees. Pension benefits are related to members' final salary at the earlier of retirement or closure to future accrual and their length of service.

Since the pension liability is adjusted for the changes to consumer price index, the pension plan is exposed to inflation, interest rate risks and changes in the life expectancy for pensioners. As the plan assets include significant investments in quoted equity shares of entities in manufacturing and consumer product sector, the Group is also exposed to equity market risk arising in the manufacturing and consumer products sector.

IAS 19 (revised 2011) restatement

IAS 19 (revised 2011) has been applied retrospectively from 30 April 2012. As a result, expected returns on pension schemes' assets are no longer recognised in profit or loss. Instead, net interest on the net defined benefit obligation calculated using the discount rate used to measure the pension liability is recognised in profit or loss.

The impact on the current and prior years' consolidated income statement, consolidated statement of comprehensive income and earnings per share is as follows. There is no impact on the consolidated balance sheet or consolidated cash flow statement.

	2014 £m	2013 £m
Impact on the consolidated income statement		
Increase in net interest on net benefit obligation	(5.6)	(3.8)
Decrease in tax expense	1.7	0.9
	(3.9)	(2.9)
	£m	£m
Impact on the consolidated statement of comprehensive income		
Decrease in profit for the period	(3.9)	(2.9)
Decrease in actuarial losses on defined benefit pension schemes	5.6	3.8
Decrease in the tax benefit on net defined benefit pension schemes	(1.7)	(0.9)
	—	—
	p/share	p/share
Decrease in earnings per share attributable to equity holders of the parent		
Basic	(1.8)	(1.4)
Diluted	(1.8)	(1.4)

The total cost recognised in the income statement was:

	Pension schemes		Post-employment benefits	
	2014 £m	2013 £m	2014 £m	2013 £m
Current service cost	—	(1.7)	—	—
Curtailments	—	10.1	—	—
Total recognised in operating profit	—	8.4	—	—
Net interest on net defined liability	(2.5)	(2.7)	—	—

During the prior year the group defined benefit schemes were closed to future accrual with a credit of £10.1m being recognised as a consequence of past service accruals no longer being linked to future salary growth.

NOTES TO THE ACCOUNTS CONTINUED

For the fifty-three weeks ended 4 May 2014

9 Pensions continued

The values of the schemes' liabilities have been determined by a qualified actuary based on the results of the last actuarial valuation, updated to 4 May 2014 using the following principal actuarial assumptions:

	2014	2013
Discount rate	4.1%	3.9%
Expected pension payment increases	3.3%	3.1%
Rate of inflation (RPI)	3.6%	3.2%
Rate of inflation (CPI)	2.7%	2.5%
The mortality assumptions imply the following expectations of years of life from age 65:		
Man currently aged 40	24.6	24.0
Woman currently aged 40	27.0	26.4
Man currently aged 65	22.4	22.3
Woman currently aged 65	24.5	24.5

Mortality assumptions are based on standard tables adjusted for scheme experience and with an allowance for future improvement in life expectancy.

The table below shows the investment allocation of pension assets against the related liabilities of the pension schemes and other post-employment benefits:

	Pension plans' value		Post-employment benefits	
	2014 £m	2013 £m	2014 £m	2013 £m
Investment quoted in active markets:				
Equities	225.7	207.6	—	—
With profits	2.8	2.7	—	—
Bonds	63.4	64.5	—	—
Unquoted investments:				
Cash	3.6	5.5	—	—
Total fair value of assets	295.5	280.3	—	—
Present value of scheme liabilities				
Funded plans	(347.7)	(344.1)	—	—
Unfunded plans	—	—	(1.3)	(1.5)
Non-current liability recognised	(52.2)	(63.8)	(1.3)	(1.5)

The movements in the pension schemes' net liability during the period are as follows:

	Pension assets		Pension liabilities		Net pension liability	
	2014 £m	2013 £m	2014 £m	2013 £m	2014 £m	2013 £m
At beginning of period	280.3	237.3	(344.1)	(304.6)	(63.8)	(67.3)
Pension costs charged to income statement						
Current service cost	—	—	—	(1.7)	—	(1.7)
Net interest	10.9	11.0	(13.4)	(13.7)	(2.5)	(2.7)
	10.9	11.0	(13.4)	(15.4)	(2.5)	(4.4)
Benefits paid	(10.1)	(10.0)	10.1	10.0	—	—
Settlements and curtailments (note 5)	—	—	—	10.1	—	10.1
Re-measurement gains/(losses) in other comprehensive income						
Return on plan assets (excluding amounts included in net interest expenses)	7.1	27.5	—	—	7.1	27.5
Actuarial changes arising from changes in demographic assumptions	—	—	2.1	(46.9)	2.1	(46.9)
Actuarial changes arising from changes in financial assumptions	—	4.0	(1.4)	(2.3)	(1.4)	1.7
Experience adjustments	—	—	(1.0)	5.4	(1.0)	5.4
	7.1	31.5	(0.3)	(43.8)	6.8	(12.3)
Contributions paid – employers	7.3	10.1	—	—	7.3	10.1
Contributions paid – employees	—	0.4	—	(0.4)	—	—
At end of period	295.5	280.3	(347.7)	(344.1)	(52.2)	(63.8)

The movements in the post-employment benefits liability during the period are as follows:

	Post-employment benefits liability	
	2014 £m	2013 £m
At beginning of period	(1.5)	(1.5)
Settlements and curtailments	0.2	—
At end of period	(1.3)	(1.5)

Experience adjustments for the current and previous period are as follows:

Pension schemes	2014		2013	
	£m		£m	
Defined benefit obligation	(347.7)		(344.1)	
Plan assets	295.5		280.3	
Deficit	(52.2)		(63.8)	
Experience adjustments on scheme liabilities	(1.0)		5.4	
Percentage of scheme liabilities	0.3%		(1.6%)	
Experience adjustments on scheme assets	7.1		27.7	
Percentage of scheme assets	2.4%		9.9%	
Post-employment benefits	2014		2013	
	£m		£m	
Benefit obligation	(1.3)		(1.5)	
Experience adjustments on benefit obligation	—		—	

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

	Decrease/ (increase) in liability 2014 £m
0.25% points increase in discount rate	15.0
0.25% points increase in inflation assumption	(12.3)
Additional one year increase to life expectancy	(12.4)

The following payments, which are also the minimum funding requirements, are the expected contributions to the defined benefit plan in future years:

	2014 £m	2013 £m
Within one year	6.9	6.9
Between two and five years	27.5	27.5
Between five and ten years	24.8	31.1
After ten years	—	0.5
	59.2	66.0

The average duration of the defined benefit plan obligation at the end of the reporting period is 17 years (2013: 18 years).

NOTES TO THE ACCOUNTS CONTINUED

For the fifty-three weeks ended 4 May 2014

10 Taxation

	2014			2013		
	Before exceptional items £m	Exceptional items £m	Total £m	Before exceptional items (restated) £m	Exceptional items £m	Total (restated) £m
Consolidated income statement						
Income tax						
Corporation tax before exceptional items	43.6	—	43.6	42.5	—	42.5
Recoverable on exceptional items	—	(2.6)	(2.6)	—	(0.4)	(0.4)
Current income tax	43.6	(2.6)	41.0	42.5	(0.4)	42.1
Adjustment in respect of prior periods	—	3.9	3.9	—	(20.8)	(20.8)
	43.6	1.3	44.9	42.5	(21.2)	21.3
Deferred tax						
Origination and reversal of temporary differences	(3.8)	(14.4)	(18.2)	(4.5)	(16.1)	(20.6)
Adjustment in respect of prior periods	—	1.2	1.2	—	21.0	21.0
Tax credit in respect of rate change	—	(18.8)	(18.8)	—	(6.1)	(6.1)
	(3.8)	(32.0)	(35.8)	(4.5)	(1.2)	(5.7)
Tax charge in the income statement	39.8	(30.7)	9.1	38.0	(22.4)	15.6

	2014 £m	2013 (restated) £m
Group statement of comprehensive income		
Deferred tax		
Gain/(loss) on actuarial valuation of pension liability	1.3	(2.8)
Net gain/(loss) on revaluation on cash flow hedges	12.9	(2.4)
Tax charge in respect of rate change	9.0	2.7
	23.2	(2.5)

	2014 £m	2013 £m
Group statement of changes in equity		
Deferred tax		
Share-based payment – future taxable benefit	0.5	(1.9)
Tax charge in respect of rate change	0.7	0.1
Deferred tax reported in equity	1.2	(1.8)
Income tax		
Share-based payments – current taxable benefit	(1.9)	(0.5)
Total tax reported in equity	(0.7)	(2.3)

Reconciliation of income tax expense for period

The effective rate of taxation is lower than the full rate of corporation tax. The differences are explained below:

	2014 £m	2013 (restated) £m
Profit before tax	105.2	111.0
Profit before tax multiplied by standard rate corporation tax 22.8% (2013: 23.9%)	24.0	26.5
Effects of:		
Expenses not deductible for tax purposes	5.3	2.5
Exceptional tax credit in respect of the licensed estate	(6.5)	(7.5)
Exceptional tax credit in respect of rate change	(18.8)	(6.1)
Adjustment in respect of prior periods – income tax	3.9	(20.8)
Adjustment in respect of prior periods – deferred tax charge	1.2	21.0
Income tax expense reported in the income statement	9.1	15.6

Income tax payable

The income tax liability of £46.5m (2013: £41.1m) includes an assessment of the expected payments on uncertain tax positions which have yet to be agreed or are in dispute with HMRC.

Deferred tax

The deferred tax included in the balance sheet is as follows:

	2014 £m	2013 £m
Deferred tax liability		
Accelerated capital allowances	38.0	49.7
Rolled over gains and property revaluation	72.0	96.8
	110.0	146.5
Deferred tax asset		
Pensions and post-employment medical benefits	(10.6)	(14.9)
Other accruals and deferred income	(2.1)	(2.4)
Derivatives	(33.9)	(54.0)
Share-based payment	(4.7)	(5.0)
Tax losses carried forward	—	(0.1)
	(51.3)	(76.4)
Net deferred tax liability	58.7	70.1

The deferred tax included in the income statement is as follows:

	2014			2013		
	Before exceptional items £m	Exceptional items £m	Total £m	Before exceptional items (restated) £m	Exceptional items £m	Total (restated) £m
Deferred tax in the income statement						
Accelerated capital allowances	(4.0)	(7.7)	(11.7)	(5.0)	7.6	2.6
Rolled over gains and property revaluations	—	(24.8)	(24.8)	—	(6.8)	(6.8)
Pensions and post-employment medical benefit	1.0	—	1.0	1.3	2.3	3.6
Other accruals and deferred income	—	0.3	0.3	—	0.3	0.3
Derivatives	—	0.2	0.2	—	(6.5)	(6.5)
Share-based payments	(0.9)	—	(0.9)	(0.8)	—	(0.8)
Tax losses carried forward	0.1	—	0.1	—	1.9	1.9
Deferred tax expense	(3.8)	(32.0)	(35.8)	(4.5)	(1.2)	(5.7)

The movements on deferred tax assets and liabilities during the period are shown below:

	Accelerated capital allowances £m	Rolled over gains and property revaluation £m	Total £m
Deferred tax liabilities			
At 29 April 2012	47.1	103.6	150.7
Charge/(credit) to the income statement	2.6	(6.8)	(4.2)
At 28 April 2013	49.7	96.8	146.5
Credit to the income statement	(11.7)	(24.8)	(36.5)
At 4 May 2014	38.0	72.0	110.0

NOTES TO THE ACCOUNTS CONTINUED

For the fifty-three weeks ended 4 May 2014

10 Taxation continued

Deferred tax continued

Deferred tax assets	Pensions and post-employment medical benefits £m	Other accruals and deferred income £m	Derivatives £m	Share-based payments £m	Taxes losses carried forward £m	Total £m
At 29 April 2012	(16.4)	(2.7)	(47.1)	(2.4)	(2.0)	(70.6)
Credit to equity/comprehensive income	(2.1)	—	(0.4)	(1.8)	—	(4.3)
Charge/(credit) to the income statement	3.6	0.3	(6.5)	(0.8)	1.9	(1.5)
At 28 April 2013	(14.9)	(2.4)	(54.0)	(5.0)	(0.1)	(76.4)
Charge to equity/comprehensive income	3.3	—	19.9	1.2	—	24.4
Charge/(credit) to the income statement	1.0	0.3	0.2	(0.9)	0.1	0.7
At 4 May 2014	(10.6)	(2.1)	(33.9)	(4.7)	(0.0)	(51.3)

There are no income tax consequences attaching to the payment of dividends by Greene King plc to its shareholders.

Factors that may affect future tax charges

The Finance Act 2013 reduced the rate of corporation tax from 23% to 20% from 1 April 2015. The effect of these changes is to reduce the net deferred tax liability by £9.1m, comprising a credit to the group income statement of £18.8m and a debit to the group statement of comprehensive income of £9.7m (as explained in note 5).

11 Dividends paid and proposed

	2014 £m	2013 £m
Declared and paid in the period		
Interim dividend for 2014: 7.60p (2013: 7.15p)	16.6	15.5
Final dividend for 2013: 19.45p (2012: 18.1p)	42.1	39.0
	58.7	54.5
Proposed for approval at AGM		
Final dividend for 2014 – 20.8p (2013: 19.45p)	45.5	42.1
Total proposed dividend for 2014 – 28.4p (2013: 26.6p)	62.1	57.9

Dividends on own shares have been waived.

12 Earnings per share

Basic earnings per share has been calculated by dividing the profit attributable to equity holders of £96.1m (2013: £95.4m) by the weighted average number of shares in issue during the period (excluding own shares held) of 217.2m (2013: 216.1m).

Diluted earnings per share has been calculated on a similar basis taking account of 1.1m (2013: 1.3m) dilutive potential shares under option, giving a weighted average number of ordinary shares adjusted for the effect of dilution of 218.3m (2013: 217.4m). There were no (2013: nil) anti-dilutive share options excluded from the diluted earnings per share calculation. The performance conditions for share options granted over 2.6m (2013: 2.8m) shares have not been met in the current financial period and therefore the dilutive effect of the number of shares which would have been issued at the period end has not been included in the diluted earnings per share calculation.

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 diluted basis.

	Earnings		Basic earnings per share		Diluted earnings per share	
	2014 £m	2013 (restated) £m	2014 p	2013 (restated) p	2014 p	2013 (restated) p
Adjusted earnings per share						
Profit attributable to equity holders	96.1	95.4	44.2	44.1	44.0	43.9
Exceptional items	37.2	24.8	17.2	11.5	17.1	11.4
Profit attributable to equity holders before exceptional items	133.3	120.2	61.4	55.6	61.1	55.3

Treasury shares and shares held by the EBT are excluded from the calculation of weighted average number of shares in issue.

13 Goodwill

	£m
Cost	
At 29 April 2012	729.3
Disposal	(4.5)
At 28 April 2013	724.8
Disposal	(6.4)
Transfer to assets held for sale	(14.6)
At 4 May 2014	703.8
Impairment	
At 28 April 2013	—
Impairment of disposal group (note 5)	(14.6)
Transfer to assets held for sale	14.6
At 4 May 2014	—
Net book value	
At 4 May 2014	703.8
At 28 April 2013	724.8
At 29 April 2012	729.3

All goodwill was purchased as part of business combinations. As from 3 May 2004, the date of transition to IFRS, goodwill is no longer amortised but is subject to annual impairment testing.

Goodwill has been allocated to operating segments, the lowest group of cash-generating units in the group at which goodwill is monitored internally, based on the extent that the benefits of acquisitions flow to that segment.

Goodwill disposed of in the year is the amount of goodwill allocated to parts of operating segments disposed of during the year. The amount disposed is calculated based on the relative value of the operation disposed and the portion of the operating segment retained.

The carrying amount of goodwill has been allocated £353.5m (2013: £353.8m) to Retail, £135.8m (2013: £156.5m) to Pub Partners and £214.5m (2013: £214.5m) to Brewing & Brands.

The recoverable amount of each segment was determined on a value-in-use basis, using cash flow projections based on one year budgets approved by the board, and in all cases exceeded the carrying amount.

The key assumptions used in the value-in-use calculations are budgeted EBITDA, the pre-tax discount rate and the growth rate used to extrapolate cash flows beyond the budgeted period.

Budgeted EBITDA is based on past experience adjusted to take account of the impact of expected changes to each cash-generating unit's pub estate or operations, sales prices and volumes, capital expenditure, business mix and margin.

Cash flows are discounted at 9.0% (2013: 9.0%) which is used as an approximation for the risk-adjusted discount rate of the relevant operating segment. A growth rate of 2.0% (2013: 2.0%) has been used to extrapolate cash flows. The growth rate is considered a conservative rate and is below the long-term average growth rate for the industry.

Sensitivity to changes in assumptions

The calculation is most sensitive to changes in the assumptions used for budgeted cash flow, pre-tax discount rate and growth rate. Management considers that reasonable possible changes in assumptions would be an increase in discount of 1% point, a reduction in growth rate of 1% point or a 10% reduction in budgeted cash flow. As an indication of sensitivity, when applied to the value-in-use calculation none of these changes would have resulted in an impairment of goodwill in the period.

NOTES TO THE ACCOUNTS CONTINUED

For the fifty-three weeks ended 4 May 2014

14 Property, plant and equipment

	Licensed estate		Other		Total £m
	Land and buildings £m	Plant and equipment £m	Land and buildings £m	Plant and equipment £m	
Cost					
Balances at 29 April 2012	2,058.7	557.1	60.2	117.5	2,793.5
Additions during period	75.3	46.4	2.2	1.6	125.5
Acquisitions (note 17)	2.9	0.1	—	—	3.0
Transfer to property, plant and equipment held for sale	(8.3)	(1.2)	—	—	(9.5)
Disposals during period	(34.6)	(5.3)	(0.6)	—	(40.5)
Balances at 28 April 2013	2,094.0	597.1	61.8	119.1	2,872.0
Additions during period	98.8	67.6	2.4	6.8	175.6
Transfer to property, plant and equipment held for sale	(87.5)	(26.9)	—	—	(114.4)
Disposals during period	(45.2)	(6.0)	(0.8)	—	(52.0)
Balances at 4 May 2014	2,060.1	631.8	63.4	125.9	2,881.2
Depreciation and impairment					
Balances at 29 April 2012	134.2	387.4	8.7	71.9	602.2
Provided during the year	7.0	45.8	2.2	3.3	58.3
Written back on disposals	(14.9)	(2.8)	(0.1)	—	(17.8)
Impairment (see below)	19.3	—	—	—	19.3
Transfer to property, plant and equipment held for sale	(0.3)	(0.8)	—	—	(1.1)
Balances at 28 April 2013	145.3	429.6	10.8	75.2	660.9
Provided during the year	8.5	49.9	2.4	3.3	64.1
Written back on disposals	(19.5)	(2.8)	(0.1)	—	(22.4)
Impairment (see below)	41.6	—	—	—	41.6
Transfer to property, plant and equipment held for sale	(8.8)	(23.9)	—	—	(32.7)
Balances at 4 May 2014	167.1	452.8	13.1	78.5	711.5
Net book value					
At 4 May 2014	1,893.0	179.0	50.3	47.4	2,169.7
At 28 April 2013	1,948.7	167.5	51.0	43.9	2,211.1
At 29 April 2012	1,924.5	169.7	51.5	45.6	2,191.3

The licensed estate relates to properties, and assets held within those properties, licensed to trade (i.e. managed, tenanted and leased houses). Other assets relate to property, plant and equipment associated with unlicensed properties (i.e. brewing, distribution and central assets).

The net book value of land and buildings comprises:

	2014 £m	2013 £m
Freehold properties	1,842.8	1,906.0
Leasehold properties >50 years unexpired term	60.3	58.3
Leasehold properties <50 years unexpired term	40.2	35.4
	1,943.3	1,999.7

Valuation

The licensed estate properties were valued by the group's own professionally qualified chartered surveyors, as at 20 December 2003, on the basis of existing use value, in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Standards. A representative sample of properties was also valued by external valuer Gerald Eve Chartered Surveyors and Property Consultants, who confirmed that the values were consistent with their appraisal. Frozen revaluation has been taken as deemed cost on the transition to IFRS; therefore no historic cost analysis is provided.

Up to 1999 the brewery and depots were valued at depreciated replacement cost and other properties at open market value. These valuations have been retained but they have not been updated. Subsequent additions have been included at cost or, in the case of acquisitions, at fair value.

Charges over assets

Included in land and buildings are properties with a net book value of £1,422.1m (2013: £1,437.7m) over which there is a first charge in favour of the securitised debt holders as detailed in note 23.

Future capital expenditure

	2014 £m	2013 £m
Contracted for	9.0	7.7

Impairment of property, plant and equipment

During the year £41.6m of impairment losses (2013: £19.3m) were recognised in the income statement as exceptional costs. The impairment includes a £19.6m charge in relation to the sale of the disposal group as discussed in note 5.

£1.6m of the impairment recognised in the prior year within the Retail estate was in respect of licensed properties damaged by fire. In the period the group has received £3.4m (2013: £0.8m) of insurance compensation to meet the costs incurred to date of restoring these properties; further compensation is expected to be received as the restoration projects progress.

These are analysed between the group's principal reporting segments as shown below:

	2014 £m	2013 £m
Retail	3.5	3.8
Pub Partners	18.5	15.5
Pub Partners in respect of disposal group (note 5)	19.6	—
	41.6	19.3

The group considers that each of its individual pubs is a cash-generating unit (CGU). Each CGU is reviewed annually for indicators of impairment. When indicators of impairment are identified the carrying value of the CGU is compared to its recoverable amount. The recoverable amount is the higher of the CGU's fair value less costs to sell and its value in use.

The group estimates value in use using a discounted cash flow model. The key assumptions used are the discount rate applied to cash flow projections of 9% (2013: 9%) and the projected cash flows extrapolated using an average growth rate of 2% (2013: 2%) which is below the long-term average growth rate for the industry. Other commercial assumptions relating to individual CGUs have been made based on historic trends adjusted for management's estimates of medium-term trading prospects.

Estimates of fair value less costs to sell are based on valuations undertaken by in-house property experts.

The impairment in respect of the disposal group has been calculated based on expected net disposal proceeds.

The remaining impairment charge recognised in the Retail and Pub Partners estates are primarily the result of the reduced trading performance of a relatively small number of pubs due to a combination of site-specific trading circumstances and the general weakening of the UK consumer environment seen in the year.

Sensitivity to changes in assumptions

The level of impairment is predominantly dependent upon judgments used in arriving at fair values, future growth rates and the discount rate applied to cash flow projections. The impact on the impairment charge of applying different assumptions to fair values, the growth rates used to calculate cash flow projections and in the pre-tax discount rates would be as follows:

Increased impairment resulting from a 10% reduction in fair value:

	2014 £m	2013 £m
Retail	0.9	0.6
Pub Partners	2.8	3.8
	3.7	4.4

Increased impairment resulting from a 1% increase in discount rate:

	2014 £m	2013 £m
Retail	0.6	0.4
Pub Partners	1.9	3.2
	2.5	3.6

Increased impairment resulting from a 1% reduction in growth rate:

	£m	£m
Retail	0.6	0.4
Pub Partners	1.9	3.2
	2.5	3.6

NOTES TO THE ACCOUNTS CONTINUED

For the fifty-three weeks ended 4 May 2014

15 Financial assets

	2014 £m	2013 £m
Trade loans (net of provision)	8.6	8.1
Total current	8.6	8.1
Trade loans (net of provision)	23.7	25.5
Investments	0.5	0.5
Total non-current	24.2	26.0

Trade loans are net of provisions of £4.1m (2013: £4.1m). During the year £0.2m (2013: £0.3m) of the provision was utilised and £0.2m (2013: £0.3m) of new provision created. All trade loans, net of any provision recognised, are considered to be neither past due nor impaired.

Trade loans are advanced to customers on terms linked to supply terms such that returns are greater than interest income. The fixed rate trade loans amounted to £21.7m (2013: £21.4m) and variable rate trade loans amounted to £14.7m (2013: £16.3m). Included in fixed rate loans are £11.3m of loans with settlement related to purchase levels (2013: £9.4m). The write-down of these loans has been taken on a straight-line basis over the remaining term of the loan as an approximation of the settlement.

The fixed rate trade loans had a weighted average interest rate of 0.73% (2013: 1.93%) and a weighted average period of 5.20 years (2013: 6.81 years). Interest rates on variable rate trade loans are linked to base rate.

	2014 £m	2013 £m
Trade loans		
Balance at beginning of period	33.6	36.6
Advances	5.4	4.1
Repayments	(6.7)	(7.1)
Balance at end of period	32.3	33.6

16 Subsidiary undertakings

The main subsidiary undertakings are:

Subsidiary undertakings	Principal activity	Held by	Holding	Proportion of voting rights
Greene King Brewing and Retailing Limited	Brewing and retailing	Subsidiary	Ordinary shares	100%
Greene King Retailing Parent Limited	Holding company	Parent	Ordinary shares	100%
Greene King Pubs Limited	Property	Parent	Ordinary shares	100%
Greene King Investments Limited	Holding company	Parent	Ordinary shares	100%
Greene King Retailing Limited	Pub retailing	Subsidiary	Ordinary shares	100%
Greene King Services Limited	Employment	Subsidiary	Ordinary shares	100%
Greene King Retail Services Limited	Employment	Subsidiary	Ordinary shares	100%
Greene King Properties Limited	Property	Parent	Ordinary shares	100%
Greene King Developments Limited	Property	Parent	Ordinary shares	100%
Premium Dining Restaurants and Pubs Limited	Retailing	Subsidiary	Ordinary shares	100%

17 Business combinations

During the prior year the group acquired the remaining 60% interest in Ensco 600 Limited for consideration of £0.9m and also repaid the company's bank borrowings totalling £1.2m. The fair value of the tangible fixed assets acquired was £3.0m.

18 Inventories

	2014 £m	2013 £m
Raw materials and work in progress	4.8	4.2
Finished goods and goods for resale	23.9	21.3
Consumable stores	1.8	1.5
	30.5	27.0

19 Trade and other receivables

	2014 £m	2013 £m
Other receivables	0.1	0.1
Total non-current	0.1	0.1
Trade receivables	54.2	66.1
Other receivables	6.0	7.8
Total current	60.2	73.9

Trade and other receivables are non-interest bearing.

The ageing analysis of trade receivables is as follows:

	2014 £m	2013 £m
Neither past due nor impaired	51.7	59.7
Past due but not impaired		
– Less than 30 days	0.7	3.3
– 30–60 days	1.4	0.8
– Greater than 60 days	0.4	2.3
	54.2	66.1

Trade receivables are shown net of a provision of £4.6m (2013: £5.2m).

20 Cash and cash equivalents

	2014 £m	2013 £m
Cash at bank and in hand	31.3	31.0
Short-term deposits	27.4	—
Liquidity facility reserve (note 23)	157.5	—
Cash and cash equivalents for balance sheet	216.2	31.0
Bank overdrafts	(13.8)	(10.8)
Cash and cash equivalents for cash flow	202.4	20.2

Included in cash at bank and in hand and short-term deposits is £16.1m (2013: £12.2m) held within securitised bank accounts which are only available for use by the securitisation entities within the group. The securitisation entities comprise Greene King Retailing Parent Limited and its subsidiaries.

The liquidity facility reserve is restricted cash as explained in note 23.

Interest receivable on cash and short-term deposits is linked to base rate and is received either monthly or in line with the term of the deposit.

21 Property, plant and equipment held for sale

	2014 £m	2013 £m
Property, plant and equipment held for sale	81.7	8.4

At the period end, property plant and equipment held for sale represents £81.7m (2013: £8.4m) of pubs that are being actively marketed for sale with expected completion dates within one year. The value of property, plant and equipment held for sale represents the expected net disposal proceeds and is the value after a current year impairment charge of £19.6m (2013: £0.7m) included as an exceptional item.

Included in the above is the agreed sale of 275 non-core tenanted and leased pubs from the Pub Partners segment to Hawthorn Leisure Limited for a total consideration of £75.6m. The sale completed on 2 June 2014.

NOTES TO THE ACCOUNTS CONTINUED

For the fifty-three weeks ended 4 May 2014

22 Trade and other payables: current

	2014 £m	2013 £m
Trade payables	90.8	96.1
Other payables		
– Other taxation and social security costs	55.2	58.7
– Accruals and deferred income	90.6	82.2
– Interest payable	19.9	12.9
	256.5	249.9

Trade payables and other payables are non-interest bearing. Interest payable is mainly settled monthly, quarterly or semi-annually throughout the year, in accordance with the terms of the related financial instrument.

23 Borrowings

	Repayment date	2014			2013		
		Current £m	Non-current £m	Total £m	Current £m	Non-current £m	Total £m
Bank overdrafts	On demand	13.8	—	13.8	10.8	—	10.8
Liquidity facility loan	On demand	157.5	—	157.5	—	—	—
Bank loans – floating rate	2016	—	276.6	276.6	—	177.9	177.9
Securitised debt	2005 to 2036	30.7	1,173.2	1,203.9	29.0	1,263.7	1,292.7
		202.0	1,449.8	1,651.8	39.8	1,441.6	1,481.4

Bank overdrafts

Overdrafts are utilised for the day to day management of cash. The group has facilities of £25.0m (2013: £25.0m) available with interest linked to base rate.

Bank loans – unsecured

In the year the group increased and extended a five-year revolving credit facility of £460m (2013: £400m), of which £276.6m (2013: £177.9m) was drawn down at the year end. Any amounts drawn down bear interest at a margin above LIBOR, with commitment payments on the undrawn portions. Interest is payable at each renewal date which vary in maturity. Although any individual draw-downs are repayable within 12 months of the balance sheet date, the group expects to renew this funding. Immediate renewal is available under the £460m facility until June 2018. Final repayment of the total drawn-down balance is due as one payment on the agreement repayment date.

Liquidity facility

During the current period the standby liquidity facility provider had its short-term credit rating downgraded below the minimum prescribed in the relevant facility agreement and as such the group exercised its entitlement to draw the full amount of the facility and hold it in a designated bank account. The corresponding balance of £157.5m (2013: £nil) held in this bank account is included within cash and cash equivalents. The amounts drawn down can only be used for the purpose of meeting the securitisation's debt service obligations should there ever be insufficient funds available from operations to meet such payments. As such these amounts are considered to be restricted cash.

Securitised debt

The group has issued various tranches of bonds in connection with the securitisation of 2,035 of the group's pubs held in Greene King Retailing Limited at the date of the most recent tap. The bonds are secured over the properties and their future income streams and were issued by Greene King Finance plc.

The group's securitised debt consists of the following tranches:

Tranche	Nominal value (£m)	Carrying value (£m)**		Interest	Effective interest rate** (%)	Principal repayment period	Average life*
		2014	2013				
A1	132.3	131.1	140.0	Floating	6.11%**	2031	7.3 years
A2	246.8	244.3	247.6	Fixed	5.32%	2031	11.7 years
A3	95.8	94.8	105.1	Floating	6.09%**	2021	4.1 years
A4	258.9	257.4	257.3	Fixed	5.11%	2034	14.4 years
A5	257.2	257.2	263.7	Floating	7.76%**	2033	11.9 years
B1	120.9	119.8	119.8	Fixed/floating	6.36%**	2034	19.2 years
B2	99.9	99.3	99.2	Floating	6.92%**	2036	21.3 years
AB1	—	—	60.0				
	1,211.8	1,203.9	1,292.7				

* This assumes notes are held until final maturity.

** Includes the effect of interest rate swaps and future rate step-ups.

*** Carrying value is net of related deferred finance fees.

Repayment of nominal is made by quarterly instalments, in accordance with the repayment schedule, over the period shown above. Payment of interest is made on quarterly dates for all classes of bond. All of the floating rate bonds are fully hedged using interest rate swaps.

The Class A1, A2, A3, A4 and A5 bonds rank pari passu in point of security and as to payment of interest and principal, and have preferential interest payment and repayment rights over the Class B bonds. The Class B1 and B2 bonds rank pari passu in point of security, principal repayment and interest payment.

The securitisation is governed by various covenants, warranties and events of default, many of which apply to Greene King Retailing Limited, a group company. These include covenants regarding the maintenance and disposal of securitised properties and restrictions on its ability to move cash to other group companies.

24 Financial instruments

The primary treasury objectives of the group are to identify and manage the financial risks that arise in relation to underlying business needs, and provide secure and competitively priced funding for the activities of the group. If appropriate, the group uses financial instruments and derivatives to manage these risks.

The principal financial instruments held for the purpose of raising finance for operations are bank loans and overdraft, securitised bonds, cash and short-term deposits. Other financial instruments arise directly from the operations of the group, such as trade receivables, payables and trade loans.

Derivative financial instruments, principally interest rate swaps, are used to manage the interest rate risks related to the group's operations and financing sources. No speculative trading in derivative financial instruments is undertaken.

The main risks from the group's financial instruments are cash flow risk, interest rate risk, credit risk and liquidity risk. The policy for managing each of these risks is set out below.

Interest rate risk

Exposure to changes in interest rates on the group's borrowings is reviewed with regard to the maturity profile and cash flows of the underlying debt. The group uses a mixture of fixed and floating interest rate debt with exposure to market interest rate fluctuations primarily arising from the floating rate instruments. The group operates a policy that no less than 95% of the overall interest exposure should be hedged. The group enters into interest rate swaps to manage the exposure. The swaps are designated as cash flow hedges at the date of contract included within the accounts, and tested for effectiveness every six months.

In accordance with IFRS 7, the group has undertaken sensitivity analysis on its financial instruments which are affected by changes in interest rates. This analysis has been prepared on the basis of a constant amount of net debt, a constant ratio of fixed to floating interest rates, and on the basis of the hedging instruments in place at 4 May 2014 and 28 April 2013. The analysis relates only to balances at these dates and is not representative of the year as a whole. The following assumptions were made:

- Balance sheet sensitivity to interest rates applies only to derivative financial instruments, as the carrying value of debt and deposits does not change as interest rates move.
- Gains and losses are recognised within equity or the income statement in line with the accounting policies of the group.
- Cash flow hedges were assumed to be effective or ineffective on the same basis as those as at the year end. An explanation for the split between those hedges that were effective at the year end and those that were ineffective is detailed within the cash flow hedging note.

Based on the group's net position at the year end, a 1% increase or decrease in interest rates would change the group's profit before tax by approximately £0.6m (2013: £0.2m) and the group's equity by £81.0m (2013: £106.1m).

Liquidity risk

The group mitigates liquidity risk by managing cash generated by its operations combined with bank borrowings and long-term debt. The group's objective is to maintain a balance between the continuity of funding and flexibility through the use of overdrafts and bank loans. The group also monitors the maturity of financial liabilities to avoid the risk of a shortage of funds.

The standard payment terms that the company has with its suppliers is 60 days following month end (2013: 60 days following month end).

Excess cash used in managing liquidity is placed on interest-bearing deposit with maturities fixed at no more than one month. Short-term flexibility is achieved through the use of short-term borrowing on the money markets.

NOTES TO THE ACCOUNTS CONTINUED

For the fifty-three weeks ended 4 May 2014

24 Financial instruments continued

Liquidity risk continued

The table below summarises the maturity profile of the group's financial liabilities at 4 May 2014 and 28 April 2013 based on contractual undiscounted payments including interest.

Period ended 4 May 2014	Within 1 year £m	1-2 years £m	2-5 years £m	> 5 years £m	Total £m
Interest bearing loans and borrowings:					
– Capital	202.4	32.9	390.4	1,037.3	1,663.0
– Interest	56.2	61.2	193.2	532.0	842.6
	258.6	94.1	583.6	1,569.3	2,505.6
Interest rate swaps settled net	29.8	23.8	43.7	99.3	196.6
	288.4	117.9	627.3	1,668.6	2,702.2
Trade payables and accruals	181.4	–	–	–	181.4
Provisions in respect of financial liabilities	0.5	0.5	1.5	6.2	8.7
	470.3	118.4	628.8	1,674.8	2,892.3
Period ended 28 April 2013	Within 1 year £m	1-2 years £m	2-5 years £m	> 5 years £m	Total £m
Interest bearing loans and borrowings:					
– Capital	29.4	31.1	284.4	1,136.2	1,481.1
– Interest	54.5	55.8	160.3	663.9	934.5
	83.9	86.9	444.7	1,800.1	2,415.6
Interest rate swaps settled net	32.2	30.7	73.4	127.8	264.1
	116.1	117.6	518.1	1,927.9	2,679.7
Trade payables and accruals	178.3	–	–	–	178.3
Provisions in respect of financial liabilities	0.5	0.5	1.6	8.3	10.9
	294.9	118.1	519.7	1,936.2	2,868.9

Credit risk

The policy for third party trading is that all customers who wish to trade on credit terms are subject to regular credit verification procedures. Receivable balances are also monitored on an ongoing basis and provided against where deemed necessary to limit the exposure to bad debts to a non-significant level.

Other financial assets includes trade loans and cash. Credit risk is the risk of default by the counterparty to discharge their obligation and the maximum exposure of the group is the carrying amount of these instruments.

There is no requirement for collateral and there are no significant concentrations of credit risk within the group.

Cash flow hedging

At 4 May 2014 the group held four (2013: four) interest rate swap contracts for a nominal value of £170m (2013: £140m), designated as a hedge of the cash flow interest rate risk of the £276.6m (2013: £177.8m) draw down from the variable credit facility in the year. The interest rate swaps are held on the balance sheet as a fair value liability of £23.4m (2013: £4.0m). The cash flows occurred semi-annually based a variable rate of interest based on LIBOR.

At 4 May 2014 the group held five (2013: five) interest rate swap contracts for a nominal value of £585.1m (2013: £667.9m), entered into as part of the securitisation and subsequent securitisation taps. A fair value liability of £149.0m (2013: £235.2m) has been recognised on the balance sheet in respect of these contracts which are designated cash flow hedges against £585.1m (2013: £667.9m) of variable rate bonds, receiving a variable rate of interest based on LIBOR and paying a weighted average fixed rate of 7.3% (2013: 5.1%). The contract maturity dates are December 2034 and March 2036. The bonds and interest rate swaps have the same critical terms excluding credit risk.

Changes in cash flow hedge fair values are recognised in the hedging reserve to the extent that the hedges are effective. Following repurchase of the £60.0m AB1 the cash flow hedge in respect of this bond has ceased to be effective and hedge accounting has been discontinued. In the prior year an exceptional cost of £28.2m was recognised in respect of the fair value of the interest rate swap no longer qualifying for hedge accounting which has been recycled from equity to the income statement. The remaining interest rate swaps have been assessed as highly effective during the period and are expected to remain highly effective over their remaining contract lives.

The percentage of debt that was fixed as at the year end was 95.5% (2013: 98.6%) in line with the group's policy of fixing at least 95% of all debt.

Interest rate risk

The following tables set out the group's exposure to interest rate risk and the maturity profile for each class of interest-bearing financial asset and financial liability.

4 May 2014	Within 1 year £m	1–2 years £m	2–3 years £m	3–4 years £m	4–5 years £m	> 5 years £m	Total £m
Fixed rate							
Securitised debt	3.8	4.4	5.1	5.9	6.7	595.6	621.5
Financial asset	(6.2)	(4.2)	(3.4)	(2.5)	(1.9)	(3.5)	(21.7)
Variable rate							
Securitised debt	26.9	28.0	29.2	30.4	31.6	436.3	582.4
Bank loans	—	—	—	—	276.6	—	276.6
Overdraft	13.8	—	—	—	—	—	13.8
Financial asset	(2.5)	(2.2)	(2.1)	(2.0)	(1.9)	(4.0)	(14.7)
Cash and short-term deposits	(58.7)	—	—	—	—	—	(58.7)
Interest rate swap liabilities	9.4	9.1	8.3	8.3	8.3	129.0	172.4
28 April 2013	Within 1 year £m	1–2 years £m	2–3 years £m	3–4 years £m	4–5 years £m	> 5 years £m	Total £m
Fixed rate							
Securitised debt	3.3	3.8	4.4	5.1	6.1	602.0	624.7
Financial asset	(5.6)	(3.8)	(3.2)	(2.7)	(2.0)	(4.1)	(21.4)
Variable rate							
Securitised debt	25.7	26.8	28.0	29.2	30.5	527.8	668.0
Bank loans	—	—	—	—	177.8	—	177.8
Overdraft	10.8	—	—	—	—	—	10.8
Financial asset	(2.5)	(2.3)	(2.3)	(2.1)	(2.0)	(5.1)	(16.3)
Cash and short-term deposits	(31.0)	—	—	—	—	—	(31.0)
Interest rate swap liabilities	12.8	13.2	12.0	10.9	9.6	180.7	239.2

The interest on variable rate financial instruments is repriced at intervals of less than one year. The interest on fixed rate financial instruments is fixed until the maturity of the instrument. Investments, trade and other receivables, and trade and other payables are not included above as they are non-interest bearing and are not subject to interest rate risk.

Fair values

Set out in the table on page 98 is a comparison of carrying amounts and fair values of all of the group's financial instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced liquidation or sale. The following methods and assumptions were used to estimate the fair values:

Cash and cash equivalents (comprising cash at bank and in hand and short-term deposits) – approximates to the carrying amount stated in the accounts.

Financial assets – these are carried at amortised cost using the effective interest method and fair value is deemed to be the same as this.

Short-term loans and overdrafts – approximates to the carrying amount because of the short maturity of these instruments.

Long-term loans – based on quoted market prices in the case of the securitised debt; approximates to the carrying amount in the case of the floating rate bank loans and other variable rate borrowings.

Interest rate swaps – calculated by discounting all future cash flows by the market yield curve at the balance sheet date and adjusting for, where appropriate, the group's and counterparty credit risk. The changes in credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships.

NOTES TO THE ACCOUNTS CONTINUED

For the fifty-three weeks ended 4 May 2014

24 Financial instruments continued

Fair values continued

	Hierarchical classification	Fair value 2014 £m	Carrying value 2014 £m	Fair value 2013 £m	Carrying value 2013 £m
Financial liabilities					
Overdraft	Level 2	13.8	13.8	10.8	10.8
Interest-bearing loans and borrowings					
– securitised debt	Level 1	1,234.7	1,203.9	1,259.9	1,292.7
– floating rate bank loans	Level 2	276.6	276.6	177.8	177.8
– liquidity facility loan	Level 2	157.5	157.5	–	–
Interest rate swaps	Level 2	172.4	172.4	239.2	239.2
Financial assets					
Cash	Level 2	(58.7)	(58.7)	(31.0)	(31.0)
Liquidity facility reserve	Level 2	(157.5)	(157.5)	–	–
Financial assets	Level 3	(32.3)	(32.3)	(33.6)	(33.6)

Carrying values are stated net of any deferred finance fees which amounted to £11.4m (2013: £10.7m).

Hierarchical classification of financial assets and liabilities measured at fair value

IFRS 13 requires that the classification of financial instruments at fair value be determined by reference to the source of inputs used to derive fair value.

The classification uses the following three-level hierarchy:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3 – techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

During the periods ending 4 May 2014 and 28 April 2013 there were no transfers between levels 1, 2, or 3 fair value measurements.

Capital risk management

The group aims to maximise shareholder value by maintaining a strong credit rating and a core level of debt which optimises the weighted average cost of capital (WACC) and shareholder value.

A number of mechanisms are used to manage debt and equity levels (together referred to as capital), as appropriate in the light of economic and trading conditions. To maintain or adjust the capital structure, the group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the period.

The group monitors capital using interest cover and several other measures including fixed charge cover, the ratio of net debt to EBITDA and free cash flow debt service coverage. Interest cover is calculated by dividing operating profit before exceptional items by net finance costs before exceptional items (note 7). For the period to 4 May 2014 interest cover was 3.0x (2013: 2.9x). The board's dividend policy is to maintain a minimum dividend cover of two times adjusted basic earnings per share.

25 Provisions

	Property leases £m
At 29 April 2012	9.0
Unwinding of discount element of provisions	0.5
Utilised during the period	(1.8)
At 28 April 2013	7.7
Unwinding of discount element of provisions	0.6
Provided for during the period	0.3
Utilised during the period	(2.1)
At 4 May 2014	6.5

Provisions have been analysed between current and non-current as follows:

	4 May 2014 £m	28 April 2013 £m
Current	0.5	0.5
Non-current	6.0	7.2
	6.5	7.7

The provision for property leases has been set up to cover operating costs of vacant or loss making premises. The provision covers the expected shortfall between operating income and rents payable. Payments are expected to be ongoing on these properties for an average of 15 years.

26 Share capital

	2014		2013	
	Number of issued shares m	Share capital £m	Number of issued shares m	Share capital £m
Called-up, allotted and fully paid				
At beginning of period	218.3	27.3	217.5	27.2
Issue of share capital – share options exercised	0.7	0.1	0.8	0.1
At end of period	219.0	27.4	218.3	27.3

Details of options granted and outstanding are included in note 8.

27 Reserves

Share premium account

Share premium represents the excess of proceeds received over the nominal value of new shares issued.

Capital redemption reserve

Capital redemption reserve arose from the purchase and cancellation of own share capital, and represents the nominal amount of the share capital cancelled.

Hedging reserve

Hedging reserve adjustments arise from the movement in fair value of the group's derivative instruments used as an effective hedge, in line with the accounting policy disclosed in note 1. Amounts recycled to income are included within finance costs in the income statement.

Own shares

Own shares relates to shares held in treasury, held by the employee benefit trust or purchased to fulfil awards made under the deferred share bonus scheme. At 4 May 2014 0.53m shares (2013: 0.69m) were held in treasury, 0.55m shares (2013: 1.06m) were held by the employee benefit trust and 0.04m (2013: 0.05m) were held to fulfil awards under the deferred share bonus scheme. The market value at 4 May 2014 of the treasury shares was £4.6m (2013: £4.9m), of the shares held by the employee benefit trust was £4.8m (2013: £7.5m) and of the shares held for the deferred share bonus scheme was £0.3m (2013: £0.3m).

The employee benefit trust is independently managed and has purchased shares in order to satisfy outstanding employee share options and potential awards under the long-term incentive plan.

At the year end 0.39m (2013: 0.55m) treasury shares and 0.31m (2013: 0.44m) shares in the employee benefit trust were allocated to meet awards under the long-term incentive plan.

A transfer of £4.7m (2013: £4.0m) from own shares to retained earnings has been made to reflect transfers to satisfy awards under the long-term incentive plan and options exercised under the executive share option plan and reflects the weighted average cost of own shares.

During the period 0.04m (2013: 0.05m) shares were repurchased at a cost of £0.3m (2013: £0.3m) to fulfil awards made under the deferred share bonus scheme with 0.04m shares transferred to individuals to satisfy awards. The employee benefit trust purchased 0.20m shares (2013: 0.45m) at a cost of £1.6m and 0.70m (2013: 0.79m) shares were transferred to satisfy awards under the long-term incentive plan.

Goodwill

The cumulative amount of goodwill written off to retained earnings in respect of acquisitions made prior to May 1998 amounts to £89.7m.

NOTES TO THE ACCOUNTS CONTINUED

For the fifty-three weeks ended 4 May 2014

28 Working capital and non-cash movements

	2014 £m	2013 £m
(Increase)/decrease in inventories	(3.5)	2.4
Decrease/(increase) in trade and other receivables	12.9	(6.4)
(Decrease)/increase in trade and other payables	(3.8)	17.3
Decrease in provisions	(1.7)	(1.7)
Share-based payment expense	4.4	3.9
Difference between defined benefit pension contributions paid and amounts charged	(7.5)	(8.4)
Exceptional items	(5.3)	(1.1)
Working capital and non-cash movements	(4.5)	6.0

29 Analysis of and movements in net debt

	2014 £m	2013 £m
Cash in hand at bank*	58.7	31.0
Liquidity facility reserve*	157.5	—
Overdrafts	(13.8)	(10.8)
Current portion of borrowings	(30.7)	(29.0)
Liquidity facility loan	(157.5)	—
Non-current portion of borrowings	(1,449.8)	(1,441.6)
Closing net debt	(1,435.6)	(1,450.4)

* Included in cash on the balance sheet.

	2014 £m	2013 £m
Movement in net debt		
Net increase/(decrease) in cash and cash equivalents	182.2	(11.6)
Proceeds – advances of borrowings	(100.0)	—
Proceeds – advance of liquidity facility (note 23)	(157.5)	—
Repurchase of securitised debt	60.0	—
Repayment of principal – securitised debt	29.4	27.8
Repayment of principal – loans and loan notes	—	30.0
Finance issue costs	2.6	—
Decrease in net debt arising from cash flows	16.7	46.2
Other non-cash movements	(1.9)	(3.4)
Decrease in net debt	14.8	42.8
Opening net debt	(1,450.4)	(1,493.2)
Closing net debt	(1,435.6)	(1,450.4)

30 Financial commitments

The group has entered into commercial leases on certain properties and items of plant and machinery. The terms of the leases vary but typically on inception a property lease will be for a period of up to 30 years and plant and machinery will be for less than five years. Most property leases have an upwards only rent review based on open market rents at the time of the review.

Future minimum rentals payable under non-cancellable operating leases:

	2014 £m	2013 £m
Within one year	13.9	13.9
Between one and five years	46.9	47.4
After five years	141.5	138.5
	202.3	199.8

The group leases part of its licensed estate and other non-licensed properties to tenants. The majority of lease agreements have terms of between six months and 25 years and are classified for accounting purposes as operating leases. Most of the leases with terms of over three years include provision for rent reviews on either a three year or five-year basis.

Future minimum lease rentals receivable under non-cancellable operating leases are as follows:

	2014 £m	2013 £m
Within one year	30.4	34.7
Between one and five years	79.7	76.4
After five years	65.8	71.8
	175.9	182.9

31 Related party transactions

No transactions have been entered into with related parties during the period.

Greene King Finance plc is a special purpose entity set up to raise bond finance for the group, and as such is deemed a related party. The results of the entity have been consolidated.

Compensation of directors and other key management personnel of the group

	2014 £m	2013 £m
Short-term employee benefits (including national insurance contributions)	4.0	3.8
Post-employment pension and medical benefits	0.5	0.5
Share-based payments	1.7	1.3
	6.2	5.6

Directors' interests in an employee share incentive plan

Details of the options held by executive members of the board of directors are included in the remuneration report. No options have been granted to the non-executive members of the board of directors under this scheme.

32 Post balance sheet events

Final dividend

A final dividend of 20.8p per share (2013: 19.45p) amounting to a dividend of £45.5m (2013: £42.1m) was proposed by the directors at their meeting on 2 July 2014. These financial statements do not reflect the dividend payable.

Disposal of non-core assets

On 1 May 2014 the group announced the disposal of 275 non-core pubs from the Pub Partners estate; this disposal completed on 2 June 2014. The disposal group of 275 pubs has been transferred to assets held for sale.

33 Contingent liabilities

The group has provided guarantees totalling £1.1m at 4 May 2014 (2013: £1.9m) in respect of free trade customers' bank borrowings.

INDEPENDENT AUDITOR'S REPORT (COMPANY)

To the members of Greene King plc

We have audited the parent company financial statements of Greene King plc for the 53 weeks ended 4 May 2014 which comprise the parent company balance sheet and the related notes 34 to 42. 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 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 auditor

As explained more fully in the directors' responsibilities statement set out on page 63, the directors are responsible for the preparation of the parent company 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 parent company 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 parent 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 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 4 May 2014;
- 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 matters prescribed by the Companies Act 2006

In our opinion:

- the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the directors' remuneration report to be audited 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.

Other matter

We have reported separately on the group financial statements of Greene King plc for the 53 weeks ended 4 May 2014.

Bob Forsyth (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Cambridge
2 July 2014

Notes:

1. The maintenance and integrity of the Greene King plc website is the responsibility of the directors; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

COMPANY BALANCE SHEET

As at 4 May 2014

Registered number: 24511

	Note	As at 4 May 2014 £m	As at 28 April 2013 £m
Fixed assets			
Investments	38	2,618.0	2,553.6
Current assets			
Debtors		—	—
Cash		27.3	2.4
Creditors: due within one year			
Derivative financial instruments	40	(1.1)	(0.9)
Income tax payable		—	(1.2)
Other creditors	39	(1,825.5)	(1,791.1)
Net current liabilities		(1,799.3)	(1,790.8)
Total assets less current liabilities		818.7	762.8
Creditors: due after more than one year			
Medium and long-term debt	40	(276.6)	(177.8)
Derivative financial instruments	40	(0.8)	(3.1)
Net assets		541.3	581.9
Capital and reserves			
Called-up share capital	41	27.4	27.3
Share premium account	42	256.6	253.8
Revaluation reserve	42	2.5	2.5
Hedging reserve	42	(1.9)	(4.0)
Other reserve	42	93.9	93.9
Own shares	42	(6.3)	(9.1)
Profit and loss account	42	169.1	217.5
Shareholders' funds		541.3	581.9

Signed on behalf of the board on 2 July 2014

T J W Bridge
Director

R Anand
Director

NOTES TO THE COMPANY ACCOUNTS

For the fifty-three weeks ended 4 May 2014

34 Accounting policies

Basis of accounting and presentation

The accounts are prepared on a going concern basis, in accordance with the Companies Act 2006 and applicable accounting and financial reporting standards in the United Kingdom (UK GAAP). They are prepared under the historical cost convention with the exception of derivatives, where the company uses interest rate swaps to hedge its exposure to interest rate fluctuations on its variable rate borrowings.

Changes in accounting policy

The accounting policies adopted are consistent with those of the previous financial year.

Investments

Investments in subsidiaries are recorded at cost less impairment and held as fixed assets on the balance sheet. The carrying value of investments is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Financial instruments

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument and are de-recognised when the company no longer controls the contractual rights that comprise the financial instrument, normally through sale or when all cash flows attributable to the instrument are passed to an independent third party.

The company is exempt, in accordance with FRS 29.2D, from producing disclosure required by the standard as the group accounts contain disclosure that complies with FRS 29 (IFRS 7).

Finance costs and income

Finance costs are expensed to the profit and loss account using the effective interest method and are not capitalised. Finance income is recognised in the profit and loss account using the effective interest method.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at fair value of the consideration received, net of issue costs. After initial recognition, interest-bearing loans and borrowings are measured at amortised cost using the effective interest method.

Derivative financial instruments and hedge accounting

The company uses interest rate swaps to hedge its exposure to interest rate fluctuations on its variable rate borrowings.

Interest rate swaps are initially measured at fair value, if any, and carried on the balance sheet as an asset or liability. Subsequent measurement is at fair value determined by reference to market values for similar instruments. If a derivative does not qualify for hedge accounting the gain or loss arising on the movement in fair value is recognised in the profit and loss account.

Hedge accounting

To qualify for hedge accounting the hedge relationship must be designated and documented at inception. Documentation must include the company's risk management objective and strategy for undertaking the hedge and formal allocation to the item or transaction being hedged. The company also documents how it will assess the effectiveness of the hedge and carries out assessments on a regular basis to determine whether it has been, and is likely to continue to be, highly effective.

Hedges can be classified as either fair value (hedging exposure to changes in fair value of an asset or liability) or cash flow (hedging the variability in cash flows attributable to an asset, liability or forecast transaction). The company uses its interest rate swaps as cash flow hedges.

For these cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in the profit and loss account. Amounts taken to equity are transferred to the profit and loss account when the hedged transaction affects profit or loss.

If a forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs and are then transferred to the profit and loss account as above. If the related transaction is not expected to occur, the amount is taken to profit and loss.

Own shares

Own shares consist of treasury shares and shares held within an employee benefit trust. The company has an employee benefit trust for the granting of shares to applicable employees.

Own shares are recognised at cost as a deduction from equity shareholders' funds. Subsequent consideration received for the sale of such shares is also recognised in equity, with any difference between the sale proceeds and the original cost being taken to revenue reserves. No gain or loss is recognised in the performance statements on transactions in treasury shares.

Share-based payments

Certain employees and directors of subsidiary companies receive equity-settled remuneration, whereby they render services in exchange for shares or rights over shares. The fair value of the shares and options granted is measured using a Black-Scholes model, at the date at which they were granted. No account is taken in the fair value calculation of any vesting conditions (service and performance), other than market conditions (performance linked to the price of the shares of the company). Any other conditions that are required to be met in order for an employee to become fully entitled to an award are considered non-vesting conditions. Like market performance, non-vesting conditions are taken into account in determining the grant date fair value. The fair value of shares and options granted is recognised as an increase in the company's investments in its subsidiaries with a corresponding increase in equity spread over the period in which the performance conditions are fulfilled ending on the relevant vesting date. The cumulative amount recognised as an investment reflects the extent to which the vesting period has expired, adjusted for the estimated number of shares and options that are ultimately expected to vest.

In accordance with the exemption within FRS 20 no amount is recorded in respect of grants made under the above schemes prior to 7 November 2002 which had not vested by the date of implementation of FRS 20.

Related party transactions

In accordance with FRS 8 Related Party Disclosures the company is not required to disclose transactions with its wholly owned subsidiaries.

35 Profit for the period

No profit or loss account is presented for the company as permitted by section 408 of the Companies Act 2006. The profit after tax for the period is £10.6m (2013: £10.0m profit).

36 Auditor's remuneration

Auditor's remuneration in respect of the company audit was £16,300 (2013: £16,300).

37 Directors' remuneration and employee costs

Details of directors' remuneration is contained in the directors' remuneration report on pages 54 to 60. The company has no employees other than directors and the directors are not remunerated through this company. Details of share options issued by the company are given in note 8 to the group accounts.

The directors do not believe that it is practicable to apportion these amounts between their services as directors of the company and their services as directors of other group companies.

38 Investments

	Investments in subsidiaries £m	Loans to subsidiaries £m	Total £m
Cost and net book value at 28 April 2013	1,575.4	978.2	2,553.6
Share-based payment awards to employees of subsidiaries	4.4	—	4.4
Securitised debt acquired	—	60.0	60.0
Cost and net book value at 4 May 2014	1,579.8	1,038.2	2,618.0

During the year the company acquired the entire AB1 tranche of securitised debt at par.

Principal subsidiaries

	Principal activity	Held by	Holding
Greene King Brewing and Retailing Limited	Brewing and retailing	Subsidiary	100%
Greene King Retailing Parent Limited	Holding company	Company	100%
Greene King Pubs Limited	Property	Company	100%
Greene King Investments Limited	Holding company	Company	100%
Greene King Retailing Limited	Pub retailing	Subsidiary	100%
Greene King Services Limited	Employment	Subsidiary	100%
Greene King Retail Services Limited	Employment	Subsidiary	100%
Greene King Properties Limited	Property	Company	100%
Greene King Developments Limited	Property	Company	100%
Premium Dining Restaurants and Pubs Limited	Retailing	Subsidiary	100%

The country of incorporation for all companies is the United Kingdom.

NOTES TO THE COMPANY ACCOUNTS CONTINUED

For the fifty-three weeks ended 4 May 2014

39 Other creditors

	2014 £m	2013 £m
Accruals and deferred income	4.3	2.1
Amounts owed to subsidiaries	1,821.2	1,789.0
	1,825.5	1,791.1

40 Borrowings

	2014			2013		
	Within one year £m	After one year £m	Total £m	Within one year £m	After one year £m	Total £m
Bank loans – floating rate	—	276.6	276.6	—	177.8	177.8

At 4 May 2014 the company held three (2013: four) interest rate swap contracts to hedge cash flow interest rate risk related to floating rate debt. The swaps had nominal value of £110m (2013: £140m) and are held on the balance sheet as a net fair value liability of £1.9m (2013: £4.0m). The details of terms and interest rates are included as part of the group's portfolio in note 24.

Bank loans due after one year are repayable as follows:

	2014 £m	2013 £m
Due between two and five years	276.6	177.8

Although the draw-down is repayable within twelve months of the balance sheet date, immediate renewal is available until June 2018 (2013: April 2016) for the facility.

41 Allotted and issued share capital

	2014 £m	2013 £m
Allotted, called-up and fully paid		
Ordinary shares of 12.5p each		
219.0m shares (2013: 218.3 m)	27.4	27.3

Further information on share capital is given in note 26 of the group accounts.

42 Reconciliation of shareholders' funds

	Share capital £m	Share premium £m	Revaluation reserve £m	Hedging reserve £m	Other reserve £m	Own shares £m	Profit and loss account £m	Total £m
At 29 April 2012	27.2	251.3	2.5	(2.4)	93.9	(9.6)	262.1	625.0
Cash flow hedges – loss taken to equity	–	–	–	(1.6)	–	–	–	(1.6)
Issue of share capital	0.1	2.5	–	–	–	–	–	2.6
Release of shares (note 27)	–	–	–	–	–	4.0	(4.0)	–
Repurchase of shares	–	–	–	–	–	(3.5)	–	(3.5)
Share-based payment credit in respect of subsidiaries	–	–	–	–	–	–	3.9	3.9
Profit for the period	–	–	–	–	–	–	10.0	10.0
Dividends	–	–	–	–	–	–	(54.5)	(54.5)
At 28 April 2013	27.3	253.8	2.5	(4.0)	93.9	(9.1)	217.5	581.9
Cash flow hedges – loss taken to equity	–	–	–	2.1	–	–	–	2.1
Issue of share capital	0.1	2.8	–	–	–	–	–	2.9
Release of shares (note 27)	–	–	–	–	–	4.7	(4.7)	–
Repurchase of shares	–	–	–	–	–	(1.9)	–	(1.9)
Share-based payment credit in respect of subsidiaries	–	–	–	–	–	–	4.4	4.4
Profit for the period	–	–	–	–	–	–	10.6	10.6
Dividends	–	–	–	–	–	–	(58.7)	(58.7)
At 4 May 2014	27.4	256.6	2.5	(1.9)	93.9	(6.3)	169.1	541.3

Share premium account

Share premium represents the excess of proceeds received over the nominal value of new shares issued.

Other reserve

The other reserve consists of £3.3m (2013: £3.3m) capital redemption reserve arising from the purchase of own share capital and £90.6m (2013: £90.6m) arising from transfer of revalued assets to other group companies and will only be realised when the related assets are disposed of by the group.

Hedging reserve

Hedging reserve adjustments arise from the movement in fair value of the company's derivative instruments used as an effective hedge, in line with the accounting policy disclosed in note 34.

Own shares

Own shares relates to shares held in treasury and by the employee benefit trust. Movement in own shares is described in note 27 to the group accounts.

GROUP FINANCIAL RECORD

	2014 (53 weeks) £m	2013* (52 weeks) £m	2012* (52 weeks) £m	2011* (52 weeks) £m	2010* (52 weeks) £m
Income statement					
Revenue	1,301.6	1,194.7	1,140.4	1,042.7	984.1
Operating profit before exceptionals	265.6	248.2	236.2	222.0	211.3
Profit before taxation and exceptionals	173.1	158.2	147.2	135.8	120.6
Profit before taxation	105.2	111.0	125.1	116.8	101.9
Basic earnings per share ⁽¹⁾	44.2p	44.1p	46.0p	48.3p	37.0p
Adjusted basic earnings per share ⁽¹⁾	61.4p	55.6p	51.3p	46.8p	42.5p
Adjusted dividend per share ⁽¹⁾	28.4p	26.6p	24.8p	23.1p	21.5p
Adjusted operating profit/revenue	20.4%	20.8%	20.7%	21.3%	21.5%
Adjusted tax expense/profit before tax	23.0%	24.0%	25.0%	26.0%	25.5%
Adjusted interest cover (times)	3.0	2.9	2.7	2.7	2.4
Adjusted dividend cover (times) ⁽²⁾	2.1	2.1	2.1	2.0	2.0

	£m	£m	£m	£m	£m
Balance sheet					
Property, plant and equipment	2,169.7	2,211.1	2,191.3	2,094.9	2,012.7
Goodwill	703.8	724.8	729.3	705.8	679.7
Financial assets	32.8	34.1	39.0	40.4	41.8
Property, plant and equipment held for sale	81.7	8.4	6.2	3.7	—
Working capital	(198.6)	(174.2)	(168.6)	(164.5)	(152.5)
Derivatives	(172.4)	(239.2)	(200.8)	(116.3)	(108.8)
Provisions	(118.7)	(143.1)	(157.9)	(172.9)	(211.9)
Net debt	(1,435.6)	(1,450.4)	(1,493.2)	(1,410.2)	(1,348.1)
Net assets	1,062.7	971.5	945.3	980.9	912.9
Gearing	135%	149%	158%	144%	148%

	£m	£m	£m	£m	£m
Cash flow and investment					
EBITDA before exceptionals	329.7	306.5	292.0	276.6	264.4
Cash inflow from operations	325.2	312.5	282.0	279.2	276.3
Interest, tax and dividends	(179.6)	(170.7)	(167.1)	(163.5)	(157.6)
Capital expenditure	(169.6)	(123.6)	(126.8)	(96.2)	(76.0)
Proceeds from sales of property, plant and equipment	38.4	28.0	29.9	27.8	27.2
Trade loans and investments	1.3	3.0	2.2	1.5	(1.2)
Acquisitions	—	(0.9)	(70.8)	(60.5)	(61.6)
Other	(0.9)	(5.5)	(32.4)	(50.4)	203.4
Decrease/(increase) in debt	14.8	42.8	(83.0)	(62.1)	210.5

⁽¹⁾ Adjusted earnings per share, operating profit, taxation, interest cover and dividend cover exclude the effect of exceptional items.

⁽²⁾ 2014 assumes adjusted basic earnings per share on a 52 week basis.

* 2010-2013 restated for the impact of IAS 19(R); see note 9 for further details.

SHAREHOLDER INFORMATION

Financial calendar

Ex-dividend date	13 August 2014
Record date for final dividend	15 August 2014
Annual general meeting	10 September 2014
Payment of final dividend	15 September 2014
Announcement of interim results	4 December 2014
Payment of interim dividend	January 2015
Preliminary announcement of the 2014/15 results	July 2015

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Website: www.capitaassetservices.com

* Calls cost 10p per minute plus network extras; lines are open 8.30am to 5.30pm, Monday to Friday.

E-communications

To register to receive shareholder communications from the company electronically, visit www.greeneking-shares.com and either log in or click on 'register new user' and follow the instructions.

By registering your e-mail address you will receive e-mails with a web link to information posted on the company's website, including the report and accounts, notice of meetings and other information communicated to shareholders.

Indirect investors' information rights

Beneficial owners of shares held on their behalf by a different registered holder now have certain information rights regarding Greene King. They have the right to ask their registered holder to nominate them to receive all non-personalised information distributed to shareholders, in accordance with the provisions of section 146 of the Companies Act 2006.

Should you wish to be nominated to receive information from Greene King directly, please contact your registered holder, who will need to notify our registrars, Capita Asset Services, accordingly. Please note that, once nominated, beneficial owners of shares must continue to direct all communications regarding those shares to the registered holder of those shares rather than to the registrars or to Greene King directly.

Company secretary and registered office

Lindsay Keswick
Westgate Brewery
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Suffolk IP33 1QT

Telephone: 01284 763 222
Fax: 01284 706 502
Website: www.greeneking.co.uk

Share dealing services

Stocktrade

Telephone: 0845 601 0995

Redmayne Bentley

Moseley's Farm Offices
Fornham All Saints
Bury St Edmunds
Suffolk IP28 6JY

Telephone: 01284 723 761

Capita Share Dealing Services

Telephone: 0871 664 0454*

Website: www.capitadeal.com

* Calls cost 10p per minute plus network extras; lines are open 8.00am to 4.30pm, Monday to Friday.

Capital gains tax

For the purpose of computing capital gains tax, the market value of the ordinary shares on 31 March 1982, after adjustment for the capitalisation issues in 1980 and 1982, was 72.5625 pence. After take-up of the rights issue in July 1996, the March 1982 value becomes 129.6875 pence. With the take-up of the rights issue in May 2009, the March 1982 value becomes 182.3046875p.

Please note that we will never contact our shareholders by telephone. If you receive an unsolicited call from anyone purporting to be from or calling on behalf of Greene King, please do not disclose any of your personal details to the caller. You can find out more information about investment scams, how to protect yourself and report any suspicious telephone calls from the Financial Conduct Authority (FCA) by visiting their website (www.fca.org.uk) or contacting them on 0800 111 6768. The FCA advises that if it sounds too good to be true, it probably is.

Financial advisers

Lazard & Co. Limited

50 Stratton Street
London W1J 8LL

Joint stockbrokers

Deutsche Bank AG London

Winchester House
1 Great Winchester Street
London EC2N 3EQ

Citigroup Global Markets Limited

Citigroup Centre
33 Canada Square
Canary Wharf
London E14 5LB

Auditor

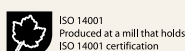
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Solicitors

Linklaters

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Greene King's commitment to environmental issues is reflected in this annual report which has been printed on Revive 100 Silk, a recycled paper containing 100% post-consumer waste. This document was printed by Pureprint Group using **pureprint**, their environmental print technology, which minimises the impact of printing on the environment. Vegetable based inks have been used and 99% of dry waste is diverted from landfill. The printer is a CarbonNeutral® company. Both the printer and the paper mill are registered to ISO 14001.



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