THE WOLVERHAMPTON & DUDLEY BREWERIES, PLC
ANNUAL REPORT 2006

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RIGHT. PITCHER & PIANO, OCEAN VILLAGE, SOUTHAMPTON

THE WOLVERHAMPTON
& DUDLEY BREWERIES, PLC

ANNUAL REPORT
TWO THOUSAND AND SIX

PLACES.
TO MEET.
TO EAT.
TO DRINK.
TO ENJOY.

W&DB IS AT THE HEART OF THRIVING LOCAL COMMUNITIES ACROSS THE COUNTRY WITH OVER 2,000 PUBS OFFERING A WELCOMING ENVIRONMENT AND GOOD VALUE.

01 FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS

595.5 ↑ 7.1%
Revenue (£m)

152.3 ↑ 10.7%
Underlying* operating profit (£m)

101.5 ↑ 13.2%
Underlying* profit before tax (£m)

95.1 ↑ 14.0%
Underlying* earnings per share (p)

42.75 ↑ 10.0%
Dividend per share (p)

	2006	2005
Operating profit (£m)	152.3	134.8
Profit before tax (£m)	101.5	54.2
Earnings per ordinary share (p)	95.1	51.9

* The underlying results reflect the performance of the Group before exceptional items. The Directors consider that these figures provide a useful indication of the underlying performance of the Group.

PATHFINDER PUBS

- 503 letting bedrooms.
- 12 Taverner's Carveries opened.

THE UNION PUB COMPANY

- 150 capital investments during the year.
- 90,000 promotions taken by tenants.

WDB BRANDS

- 100 million bottles filled during the year.
- 1.5 million equivalent pints delivered every day.

	2006	2005
Revenue (£m)	330.7	317.4
Underlying operating profit (£m)	63.5	63.3
Operating profit (£m)	63.5	63.3
Net assets (£m)	680.6	727.3
Number of pubs	459	542
Average weekly sales (£'000)	13.2	12.0

	2006	2005
Revenue (£m)	178.8	153.3
Underlying operating profit (£m)	80.3	65.1
Operating profit (£m)	80.3	64.5
Net assets (£m)	905.3	770.5
Number of pubs	1,893	1,748

	2006	2005
Revenue (£m)	86.0	85.4
Underlying operating profit (£m)	18.0	17.8
Operating profit (£m)	18.0	16.5
Net assets (£m)	102.5	111.9

02

CHAIRMAN'S STATEMENT
DAVID THOMPSON
CHAIRMAN

CHAIRMAN'S STATEMENT
These record results include turnover and profit growth in each of our trading divisions, reflecting good organic development and the successful integration of acquisitions. In a mature, consolidating market we continue to derive value from our high quality pub estate and our beer brands, whilst benefiting from the operational flexibility and increased opportunity for investment afforded by our integrated business model.

RESULTS
Turnover increased by 7.1% to £595.5 million (2005: £556.1 million), including Celtic Inns which was acquired in March 2006 for £43.3 million.

Underlying operating margin increased to 25.6% (2005: 24.7%). This good performance was achieved, despite significant cost and legislative pressures, by maximising synergies from acquisitions, transferring smaller managed pubs to tenancy, and good cost control.

Underlying profit before taxation increased by 13.2% to £101.5 million (2005: £89.7 million). Profit after exceptional items and before tax was £101.5 million (2005: £54.2 million).

Net cash inflow from operating activities increased by 91.5% to £190.0 million.

Underlying earnings per share increased by 14.0% to 95.1 pence per share (2005: 83.4 pence). Basic earnings per share after exceptional items were 95.1 pence per share (2005: 51.9 pence). During the year £21.4 million was spent purchasing 1.6 million shares of which 516,000 were bought by the Company's employee benefit trust with the remainder being held as treasury shares.

Net debt at the year-end was £893.7 million, resulting in interest cover of 3.0 times (2005: 2.9 times).

DIVIDEND
The Board proposes a final dividend of 28.23 pence per share, which brings the total dividend for the year to 42.75 pence per share (2005: 38.86 pence), an increase of 10.0% on the previous year. The Company has increased dividends by an average of over 10% per annum for a period of more than 30 years and continues to adopt a progressive dividend policy. The final dividend, if approved, will be paid on 31 January 2007 to those shareholders on the register at the close of business on 29 December 2006.

SHARE SPLIT
The Company's shares have increased in value significantly over the last five years and the Board is recommending a 4-for-1 share split, subject to approval by shareholders, at an Extraordinary General Meeting to be convened on 8 January 2007. The Directors believe that the proposed share split will benefit shareholders by further enhancing the liquidity and marketability of the Company's shares due to the increased number of shares in issue at a lower price.

STRATEGY
Sector consolidation continued to dominate the headlines in 2006, and during the year we actively explored a number of opportunities. However, competition for acquisitions has recently pushed pricing to very high levels and, in our view, the opportunity for creating value for our shareholders through acquisition has been limited.

We have developed a successful strategy, however, to accelerate our organic development, particularly in Pathfinder Pubs where we have a good track record of new pub openings and a pipeline of sites, allowing us to be confident of next year's development plan. This strategy includes developing our customer offer as well as acquiring new sites. Returns from organic development are often significantly more attractive than from large acquisitions, and are achieved at lower risk.

We will continue to explore acquisition opportunities, and have a strong balance sheet and good cash flow to enable us to move quickly and decisively when required.

In view of our strong financial performance and relatively conservatively geared balance sheet, we intend to continue to buy back shares in the market. We are planning to return around £100 million to shareholders this financial year in addition to dividends, thereby enhancing earnings, subject to preserving flexibility to make acquisitions if value enhancing opportunities arise.

EMPLOYEES
Our success is due to the tremendous contributions made by our employees, whether they work in our pubs, breweries or in support functions. It is clear that they take great pride in what they do, and I am extremely grateful for all their hard work and the difference that they make.

COMPANY NAME
We intend to change the Company name to Marston's PLC, subject to shareholder approval, which is to be sought at an Extraordinary General Meeting on 8 January 2007. This change reflects the fact that in recent years we have become a national business, as demonstrated by the growth of the

PITCHER & PIANO, OCEAN VILLAGE, SOUTHAMPTON

OUR SUCCESS IS DUE TO THE TREMENDOUS CONTRIBUTIONS MADE BY OUR EMPLOYEES, WHETHER THEY WORK IN OUR PUBS, BREWERIES OR IN SUPPORT FUNCTIONS.

Marston's brands and the acquisition and development of our pub estate across the country.

This change of name therefore reflects our development, but it also represents an opportunity to emphasise our tradition, heritage and values, and to better promote our pubs across the country. The name change will be effective immediately following shareholder approval.

OUTLOOK

Detailed plans are in place in preparation for the impending smoking ban in England and Wales which is due to come into force during the summer of 2007 in England, and earlier in Wales. Our investment plans, both in managed and tenanted pubs, are well advanced. We do not know what the precise impact of the ban will be, but as around 90% of our pubs have gardens, patios or outside trading areas, our detailed preparation for the ban allows us to target opportunities and reduce risk.

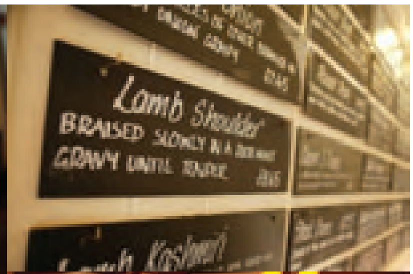
Although we remain cautious because of cost pressures affecting consumers and our own cost base, we are confident that our high quality estate, strong balance sheet, conservative financing and strong cash flow will enable us to continue to exploit opportunities for further profitable growth.

DAVID THOMPSON
CHAIRMAN

OUR HIGH QUALITY ESTATE, STRONG BALANCE SHEET, CONSERVATIVE FINANCING AND STRONG CASH FLOW WILL ENABLE US TO CONTINUE TO EXPLOIT OPPORTUNITIES FOR FURTHER PROFITABLE GROWTH.

TAVERNER'S CARVERY, THE HITCHING POST, BRADFORD.

03



CHIEF EXECUTIVE'S REVIEW
RALPH FINDLAY
CHIEF EXECUTIVE

These strong results include a 7.1% increase in turnover, a 13.2% increase in underlying profit before tax, and a 14.0% increase in underlying earnings per share, with turnover and profit increased in each of our trading divisions.

This excellent progress demonstrates the value we are able to generate from our high quality estate, beer brands and our integrated model. We also benefited from good weather and the World Cup in the second half-year, and our focus on continuous investment and improvement in the quality of our pubs and beer brands. The introduction of more flexible opening hours as part of the Licensing Act in November 2005 did not have a significant impact on our performance.

BUSINESS DEVELOPMENT AND STRATEGY

The effective and fast integration of acquisitions has contributed to our strong financial performance. Our integrated business model has been beneficial in making successful acquisitions, and offers opportunities to create additional value. The tenants of Burtonwood, Jennings and Celtic Inns, for example, now have access to a wider range of beers, wines and spirits, while at the same time creating distribution opportunities for our Marston's, Jennings and Banks's beers. The Jennings beers, particularly Cumberland Ale, have proved popular across the business, and are showing strong growth.

Our acquisitions have been consistent with a clear strategy of investment in predominantly freehold community pubs. In the last twelve months, competition for acquisitions has become more intense, and fewer potential acquisitions have met our strict financial and operating criteria. We acquired Celtic Inns in March 2006 but, having looked at a number of other transactions since then, we believe that there is now a reduced opportunity to create real value for our shareholders through acquisition. Investor demand for freehold pubs with predictable cash flow has increased substantially, and such pubs are attracting a wider range of investors than was the case historically. Prices have risen such that investment returns are now comparable to rental yields from investment properties.

We will continue to explore acquisition opportunities as we are confident that our integrated model can create greater

03 CHIEF EXECUTIVE'S REVIEW



value from acquisitions than is available to others. Nevertheless we have always recognised that organic development combined with efficient balance sheet management is an equally important element of our strategy.

Each of our trading divisions has a well defined plan for organic growth as described below. Underpinning these plans is a clear focus on the quality of our pub estate and customer offers, as market trends favour well situated pubs offering good quality food and drink in an attractive environment with high standards of service. Our estate is well positioned to meet longer term growth in informal dining, and to attract families whilst meeting legislative requirements as the regulatory environment becomes more challenging.

This focus is reflected in the fact that over the last five years the average turnover of our managed pubs has increased by over 50% and the average profit of our tenanted estate has also increased by over 50% through a combination of investment and disposal of less well situated pubs.

Looking forward, 2007 will see the introduction of a ban on smoking in public places, including pubs. The ban is likely to be in place by summer 2007, and earlier in Wales.

We are well prepared for this significant change, and by the time the smoking ban is introduced we will have invested approximately £20 million in outside areas, mainly in pub gardens and patios - facilities which are available in around 90% of our pubs. We are encouraged by the support and interest shown by our tenants and lessees in preparing for the ban's introduction. Based upon the early evidence from the ban introduced in Scotland in March 2006 and from Ireland where it was introduced in 2004, we anticipate that while there is some risk to drinks sales and gaming machine income, there is also an opportunity to increase food sales and attract more customers.

PATHFINDER PUBS

Turnover increased by 4.2% to £330.7 million. Underlying operating margin was 19.2% (2005: 19.9%), and underlying operating profit increased by 0.3% to £63.5 million.

Total like-for-like sales increased by 2.4%, with good summer weather and the World Cup contributing to second half-year like-for-like sales growth of 3.7%. Average turnover per pub increased by 10% to £13,200 per week.

New site development in Pathfinder Pubs is a key element of our organic growth. Over the last four years we have invested significantly in the specialist skills required to target successfully new pub sites and to manage licensing and planning processes, with the number of new site openings increasing from 8 in 2005 to 12 this year. We have a good pipeline of sites for future development, and next year we expect to open 20 new freehold pubs where we have selected the site, the design and the customer offer. This development is critical to the continuous improvement in the quality of our estate, and in extending our trading geography. We also acquired 14 existing trading units for refurbishment and conversion to one of our operating formats, making a total of 26 new pubs opened this year.

New community pubs were opened in Kent, Northamptonshire, Cambridgeshire, Somerset, Hampshire and Durham. These pubs are often built on new housing developments, and typically cost around £2 million per pub to build – they are of better quality than most trading pubs sold in the market, and generate higher returns. Food sales in new build pubs are generally 50% of total sales, contributing to an 8% increase in food sales overall.

Community pubs represent the majority of the pubs in our estate, but our high street estate is developing well. This year we opened a new Pitcher & Piano in Taunton, and refurbished Pitcher & Piano bars in Cornhill, York, Harrogate and Swansea. Over the last two years the Pitcher & Piano bars have been refurbished to a contemporary design, and the Pitcher & Piano business has performed strongly overall. Since the year-end we have opened a new Pitcher & Piano bar in Brighton and have acquired sites for conversion in Derby and Poole.

We added three new bars trading as 'Bluu' in Nottingham, Manchester and in Hoxton Square, London. Bluu is a

PAVILLION END, LONDON

THE EFFECTIVE AND FAST INTEGRATION OF ACQUISITIONS HAS CONTRIBUTED TO OUR STRONG FINANCIAL PERFORMANCE.

GREEN LODGE, HOYLAKE, WIRRAL

premium food and late night venue offer operated by the Pitcher & Piano management team.

These developments emphasise the value of a managed estate which includes a range of community pubs and high street bars with different operating styles, giving us greater scope for profitable investment. This year we invested a total of £34.2 million on pub refurbishment, including a number of pubs from the Wizard estate acquired in 2004: the Rack & Tenter, Moorgate, and Pavilion End, Watling Street, both in London; The Sarah Moore, Leigh-on-Sea; the Treasury, Sutton; the Custom House, Romford; the Counting House, Watford and the Station House, Chingford. Similarly, from the former Burtonwood estate we re-opened Childwell Abbey, Liverpool; Eastham Ferry, Wirral and The Green Lodge, Hoylake, after significant refurbishments – the last just in time to benefit from the British Open Golf Championship.

With 459 managed pubs in the estate, Pathfinder Pubs has the scale to compete effectively on a national basis. We have invested in a single EPOS (Electronic Point Of Sale) platform across the estate and in broadband for all pubs. We have also been consistent and diligent in our investment in training for all employees. The skill and enthusiasm of our employees are the most important ingredients for success in Pathfinder Pubs.

THE UNION PUB COMPANY

Turnover increased by 16.6% to £178.8 million. Underlying operating margin increased by 2.4% to 44.9%, and underlying operating profit increased by 23.3% to £80.3 million. Average profit per pub increased by 5.0% to £57,400 per pub per year.

The Union Pub Company, comprising 1,893 tenanted and leased pubs, includes 63 pubs which were part of the Celtic Inns estate acquired in March 2006, and 93 smaller managed pubs transferred from Pathfinder Pubs in the second half-year.

We have supported tenants and lessees as they manage and develop their businesses in a period of unprecedented change and significant challenges. In 2005, they dealt with a major reform of licensing regulation, and got to grips with the requirements and implications of the new Licensing Act. During 2006 they have been preparing for the introduction of the smoking ban in England and Wales next year with minimal guidance to date from the Government. At the same time, they are having to absorb higher energy and labour costs.

As a consequence of these challenges, the level of support and advice that licensees receive from the pub operating company really makes a difference, and The Union Pub Company strives to be amongst the best in the industry in offering support and guidance to its tenants and lessees. We were the first major operator to volunteer financial and practical support in dealing with licensing reform, and we have again been active and early in advising

RIGHT. THE GARDEN ROOM, THE HIGHWAYMAN, OSWESTRY. FAR RIGHT. THE CRISPIN INN, ASHOVER, DERBYSHIRE

licensees to prepare properly for the introduction of the smoking ban, committing investment of over £10 million as a consequence.

Over 1,500 licensees so far have agreed investment schemes with us in gardens, patios and food; their response to the challenges and opportunities presented by the proposed smoking ban has been overwhelmingly positive.

This year we launched uniON, a new intranet service for licensees, which features on-line ordering, promotions, advice on wine choice and personalised menus, and an on-line accounting service which saves licensees both time and money. Theme nights, fundraising events and sporting competitions are also being catered for, including the provision of personalised team shirts and trophies. We will shortly be launching additions to the package so that our business development managers can access bespoke business-building kits to provide individual support for capital expenditure projects, and an interactive planning calendar, which licensees can use to plan events and pre-order posters.

Our in-house training programme, the 'Skills Pool', had a record 1,500 attendees. The Skills Pool includes a number of modules including RAPPID (Run A Profitable Pub In Days), wine training, cellar and beer management, hygiene, responsible retailing and knowledge of licensing law. Over 1,300 DVD's of chef skills were requested, reflecting the growing importance of food within the estate.

The recruitment of good licensees is fundamental to the continuing success of The Union Pub Company. While many prospective licensees are still attracted by letting boards and trade press advertising, more and more are coming via the website (www.tupc.co.uk). In September alone we registered over 40,000 visitors to The Union Pub Company website, indicative of the high level of interest in the business and in becoming a future tenant or lessee of one of our pubs.

The 93 pubs transferred during the second half-year from Pathfinder Pubs have been well integrated and will contribute to the continued growth of The Union Pub Company in 2007. We will also benefit from the ongoing extension of longer term leases across the estate, with at least 1,200 of our pubs being suitable for leasing to independent operators as opposed to being let under shorter term agreements. We now have around 900 such leases, having introduced this option in 2002. The attractions of longer leases for operators include the potential for greater rewards for the entrepreneurial skills required to build a successful business and, for our part, we are able to attract better operators by having a wider choice of attractive agreements.

WDB BRANDS

Turnover increased by 0.7% to £86.0 million. Underlying operating margin increased by 0.1% to 20.9%, and underlying operating profit increased by 1.1% to £18.0 million.

THE FOUNTAIN, CLENT, WORCESTERSHIRE


THE
FOUNTAIN

03 CHIEF EXECUTIVE'S REVIEW

NEW PRODUCT DEVELOPMENT THIS YEAR INCLUDED THE LAUNCH OF MARSTON'S SMOOTH IN A CAN, WITH THE MARSTON'S SMOOTH BRAND SHOWING STRONG GROWTH.

The UK beer market declined by 2% last year. The continuation of long-term trends including the growth of lager as a proportion of the market and the increasing consumption of alcohol at home rather than in pubs are reflected in our operating plans. In our pub businesses, we have exploited these trends by investing in our food offers and by developing our wines and spirits offers, a product category which we increased by around 10% last year.

In WDB Brands, we recognise these long term trends by focusing increasingly on cask ale and premium products. Although pubs are facing tough competition from the off-trade, cask ale offers pub retailers a unique benefit and point of difference compared to all other sector categories in that it is not available to off-trade customers. Our beer brand range includes Marston's Pedigree, unique in being brewed using the famous Burton Union system; Jennings' Cumberland Ale from the Lake District; and popular Midlands brands such as Banks's and Mansfield, which have a strong local following.

Our market share of the premium ale market increased by nearly 1%, with volume up 3%. WDB Brands is Britain's biggest brewer of premium cask ale and has a 16% share of the draught premium ale market. Marston's Old Empire performed particularly well, up 9.5%, and Jennings' Cumberland Ale increased by 12%. The Banks's and Mansfield brands performed in line with the standard ale market.

Excellent beer quality is a competitive advantage, and it is an area to which we devote considerable resources. We employ our own Beer Quality Technicians to visit pubs – ours and those operated by other pub companies or independent operators who stock our brands – to advise on good cellar management and beer keeping. This year we launched a new initiative called 'CaskForce' (www.caskforce.co.uk), as a result of which nearly 1,000 people received training in their pub, while the prize for the ultimate winners was their rent paid for a year. The initiative, run jointly with The Morning Advertiser, has just been launched for a second year.

New product development this year included the launch of Marston's Smooth in a can, with the Marston's Smooth brand showing strong growth, and the expansion of an unrivalled seasonal beer programme which has been successful with tenants and free traders.

We maintained our marketing investment at £4.2 million, and were delighted to announce in August that Marston's is 'the Official Beer of England' in a new sponsorship deal with the ECB, the Cricket Board of England and Wales. This sponsorship builds on our involvement with cricket and many of the county cricket clubs; for example earlier in the summer Marston's became the Official Beer of Surrey Cricket Club, with associated pouring rights. More recently, we have developed other significant new relationships, including becoming the Official Beer of Lords.

CURRENT TRADING

Trading in the new financial year has been strong, benefiting from good weather. Our performance in the 8 weeks to 25 November 2006 has been in line with expectations, with particularly strong like-for-like sales growth of 9.1% in Pathfinder Pubs.

RALPH FINDLAY
CHIEF EXECUTIVE

MARSTON'S AND CRICKET
THE PERFECT OPENING PARTNERSHIP

The England Cricket team had never had an "Official Beer" partner previously, but Marston's offered an opportunity far greater than a brand simply looking for a designation, it gave us the chance to bring cricket into the pub – the centre of the community, a perfect place to get people talking about England's traditional national game – beginning with the defence of the Ashes in Australia this winter.

The sponsorship package was launched at The Brit Oval, the home of Surrey CC, another high profile partnership signed up during the summer. The lead up to the Ashes then offered the opportunity for promotional activity to run in pubs and clubs through Marston's Smooth and Pedigree, giving customers the opportunity, alongside other great offers, to win tickets to the Ashes in Australia. This coincided with a high profile national press advertising campaign and the launch of the Marston's Cricket Club website (www.marstonscricketclub.co.uk), offering users the opportunity to be kept up to date with latest cricketing news, exclusive competitions and offers.

More cricketing themed activity will be developed, with further opportunities to share the passion between Marston's and cricket, at Test Match grounds throughout the summer of 2007.


JENNINGS
MARSTON'S
RESOLUTION
Pedigree

04

FINANCIAL REVIEW
PAUL INGLETT
FINANCE DIRECTOR

TRADING OVERVIEW

	Turnover		Underlying operating profit (see note 2)		Margin	
	2006 £m	2005 £m	**2006 £m**	2005 £m	**2006 %**	2005 %
Pathfinder Pubs	**330.7**	317.4	**63.5**	63.3	**19.2**	19.9
The Union Pub Company	**178.8**	153.3	**80.3**	65.1	**44.9**	42.5
WDB Brands	**86.0**	85.4	**18.0**	17.8	**20.9**	20.8
Central		–	**(9.5)**	(8.6)	**(1.6)**	(1.5)
Group	**595.5**	556.1	**152.3**	137.6	**25.6**	24.7

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)
These are our first annual results to be prepared under IFRS. Restated comparisons for the year ended 1 October 2005 have already been published on our website at www.wdb.co.uk, along with a detailed statement of our revised accounting policies. Since that statement, the Group has concluded to recognise all actuarial gains and losses in the statement of recognised income and expense permitted by IAS 19 (Amended) for defined benefit pension schemes, in line with industry practice.

Accounting policies used in the preparation of these accounts are consistent with the policies adopted on transition, with the exception of IAS 32 and 39 and IFRS 5, which were all effective and have been applied by the Group from 2 October 2005.

This has been another good year with all of the key financial measures showing strong growth, including a 7.1% increase in turnover, a 10.7% increase in underlying operating profit, a 13.2% increase in underlying profit before tax, and a 14.0% increase in underlying earnings per share. Total dividends per share for the year have increased by 10.0% to 42.75 pence per share, and the dividend is covered 2.2 times by earnings per share.

MANAGED TO TENANTED TRANSFERS
We transferred 93 pubs from Pathfinder Pubs to The Union Pub Company during the second half of the year. For the majority of the time during the transition process, whilst we were recruiting lessees and tenants for these pubs, they traded as managed houses and therefore, their trading results have been included within the divisional results of Pathfinder Pubs to aid comparability.

MARGINS
The underlying operating margin of the Group increased by 0.9% to 25.6%. This increase was achieved despite significant cost pressures, including a £6 million increase in utility costs across the Group. The majority of this increase in utility costs impacted Pathfinder Pubs and was the main reason behind the reduction in the division's margin. Offsetting this was a strong margin performance in The Union Pub Company, benefiting from the synergies of recent acquisitions and the continued move to longer leases. The results also include over £1 million of costs relating to the managed to tenanted transfer process mentioned above.

CASH FLOW
The net cash inflow from operating activities increased by 91.5% to £190.0 million, reflecting the strong underlying cash flow of the business and a number of one-off cash outflows relating to pensions and the refinancing carried out in the prior year. Free cash flow, after the payment of interest, tax and maintenance capital, increased by 365.7% to £114.1 million.

ACQUISITION OF CELTIC INNS
Celtic Inns was acquired on 17 March 2006 for £43.3 million including a cash consideration of £18.3 million and net debt acquired of £25.0 million. The acquisition was funded from existing bank facilities. The Celtic Inns' properties have subsequently been independently valued at £31.0 million. Goodwill arising as a result of the acquisition was £16.0 million (see note 32).

CAPITAL EXPENDITURE
We continue to significantly invest in our business to ensure we maintain a pub estate of the highest quality. Total capital expenditure for the Group was £98.9 million, of which £60.6 million was spent in Pathfinder Pubs and £27.2 million in The Union Pub Company. This included an increased spend to £18.3 million on new site development within Pathfinder Pubs.

Our aim is to maximise the returns from our property portfolio and as a result we generated disposal proceeds of £36.8 million from the sale of 33 pubs, various unlicensed properties and surplus pieces of land.

04 FINANCIAL REVIEW

TREASURY, RISK AND INTERNAL CONTROLS

Net debt at the year end of £893.7 million (see note 30) was slightly higher than last year (2005: £871.8 million), primarily as a result of the acquisition of Celtic Inns in March 2006. The ratio of net debt to EBITDA (earnings before interest, taxation, depreciation and amortisation) was 4.7 times (2005: 5.0 times), and interest cover was 3.0 times (2005: 2.9 times). The available headroom in our bank facility as at 30 September 2006 was £111 million. The Group reviews its forecast short and medium term cash flows and excess cash is either placed on short term deposit or invested in deposits which are refundable on demand.

Around 90% of the Group's net debt is fixed through having fixed rate securitised debt and interest rate swaps. The financial risks faced by the Group are managed in accordance with Board approved policies and are subject to regular internal review.

The banking and securitisation covenants are reviewed throughout the year as part of the internal reporting process with a focus on ensuring appropriate headroom is available. Every six months the financial position of the Company in respect of the securitisation covenants is reported externally to financial institutions and made available on the Group's website (www.wdb.co.uk). Operational compliance with all securitised covenants is managed and regularly reviewed by the treasury, risk and internal audit function.

We have an ongoing programme to identify key operational and financial risks across the Group, and where possible to mitigate the potential impact of those risks. This programme is managed by the treasury, risk and internal audit function.

SHARE REPURCHASES

We repurchased 1.1 million shares at a total cost of £14.8 million during the year. These shares are being held as treasury shares. In addition, the trustees of the Company's employee benefit trust, Computershare Trustees (C.I.) Limited, also purchased 516,000 ordinary shares in the Company during the year at a total cost of £6.6 million for the purposes of the Company's Long Term Incentive Plan.

TAXATION

The underlying rate of taxation (before exceptional items) has decreased from 29.9% in 2005 to 27.8% in 2006, with both years benefiting from a deferred tax credit relating to additional indexation allowance available each year. Tax paid in the year was only £4.0 million, mainly reflecting the substantial corporation tax relief in respect of the cost of the major refinancing carried out at the end of the last financial year.

PENSIONS

A triennial valuation of our final salary scheme was carried out during the year. This valuation uses the most recent mortality tables which are based on increased life expectancy assumptions and which have increased the scheme's deficit to £53.1 million before tax (2005: £45.6 million), and £37.2 million after tax (2005: £31.9 million), despite positive investment returns. The Company has agreed with the pension trustees of the scheme to make additional contributions of £7.2 million per annum for nine years in order to eliminate the deficit. The first of these annual contributions was made just before the year end in September 2006.

P. Inglett

PAUL INGLETT
FINANCE DIRECTOR

05

DIRECTORS











RALPH FINDLAY
CHIEF EXECUTIVE

DEREK ANDREW
MANAGING DIRECTOR
PATHFINDER PUBS

STEPHEN OLIVER
MANAGING DIRECTOR
THE UNION PUB COMPANY

PAUL INGLETT
FINANCE DIRECTOR

ALISTAIR DARBY
MANAGING DIRECTOR
WDB BRANDS

DAVID THOMPSON
CHAIRMAN
NON-EXECUTIVE DIRECTOR

PETER LIPSCOMB
DEPUTY CHAIRMAN
NON-EXECUTIVE DIRECTOR

MILES EMLEY
NON-EXECUTIVE DIRECTOR

ROBIN HODGSON
NON-EXECUTIVE DIRECTOR

ROSALIND CUSCHIERI
NON-EXECUTIVE DIRECTOR

ANNE-MARIE BRENNAN
COMPANY SECRETARY

05 DIRECTORS

RALPH FINDLAY FCA (45) †
CHIEF EXECUTIVE

Joined the Company in 1994 and appointed to the Board and Finance Director in 1996, Chief Executive in 2001.

DEREK ANDREW MBE (51)
MANAGING DIRECTOR
PATHFINDER PUBS

Joined the Company in 1980 and appointed to the Board in 1994.

STEPHEN OLIVER (48)
MANAGING DIRECTOR,
THE UNION PUB COMPANY

Joined the Company in 1999, on the acquisition of Marston's, and appointed to the Board in 2001.

PAUL INGLETT FCMA (40)
FINANCE DIRECTOR

Joined the Company in 1992, on the acquisition of Camerons, and appointed to the Board in 2002.

ALISTAIR DARBY (40)
MANAGING DIRECTOR
WDB BRANDS

Joined the Company in 1997 and appointed to the Board in 2003.

DAVID THOMPSON (52) †
CHAIRMAN
NON-EXECUTIVE DIRECTOR

Joined the Company in 1977 and appointed to the Board in 1980, Managing Director in 1986, Chairman in 2001. Director of Persimmon PLC, Tribal Group PLC, Caledonian Investments PLC and Anglia Maltings (Holdings) Ltd. Former Director of Warburtons Ltd.

PETER LIPSCOMB OBE (67)* †
DEPUTY CHAIRMAN,
NON-EXECUTIVE DIRECTOR

Appointed in 2000. Former Managing Director of Guinness Great Britain and Deputy Managing Director of Guinness Brewing Worldwide.

MILES EMLEY (57)* †
NON-EXECUTIVE DIRECTOR

Appointed in 1998. Chairman of St. Ives PLC. Former Director of N M Rothschild & Sons Limited and UBS Phillips & Drew.

ROBIN HODGSON
– THE LORD HODGSON
OF ASTLEY ABBOTTS CBE (64)* †
NON-EXECUTIVE DIRECTOR

Appointed in 2002. Chairman of Rostrum Group Limited and Johnson Brothers & Co Limited. Former Chairman and founder of Granville Baird Group Limited, Chairman of dominick hunter PLC, Deputy Chairman and founder of Community Hospitals PLC and Director of the Securities and Futures Authority.

ROSALIND CUSCHIERI (39)
NON-EXECUTIVE DIRECTOR

Appointed in October 2006. Commercial Director of Warburtons Limited and previously with Scottish & Newcastle plc responsible for the off-trade category marketing.

ANNE-MARIE BRENNAN (44)
COMPANY SECRETARY

Joined the Company in 1997 and appointed Company Secretary in 2004.

*Member of the Remuneration and Audit Committees

†Member of the Nomination Committee

06

CORPORATE AND SOCIAL RESPONSIBILITY

OUR PEOPLE

Treating our people in a "FIT" manner remains a priority for the Group and this ethos underpins all of our employee policies. "FIT" is a summary of three fundamental behaviours that apply throughout the Group:

Fairness - Any action, decision or policy adopted within the Group should be both equitable and reasonable. It should not result in one particular group of employees gaining an unjustified advantage or benefit at the expense of another.

Integrity - If a commitment is made it should be kept. If it cannot be delivered or circumstances change so that an alternative course of action is appropriate this should be clearly explained.

Transparency - Wherever there is the freedom to do so, the Group should act in a manner that is open to the scrutiny of our employees and the wider community.

The Chief Executive takes responsibility for all people related matters, which are then delegated through the other Executive Directors and the Group's Director of Human Resources. The Group also publishes a full Equal Opportunities Policy and a Whistleblowing Policy, both of which are available on the Group's website, www.wdb.co.uk.

Listening to our people

"The Word", the Group's employee magazine, is sent to all 12,500 people who work for the Group together with our pensioners, keeping them updated on Group events and providing an opportunity to record and celebrate employee achievements. This is supported by regular fortnightly or monthly briefing sessions throughout the Group.

The Group has a long history of excellent consultative and collective bargaining relationships with its trade unions, at its breweries, distribution centres, head office and pub sites. Employee representatives, both trade union officials and lay members, have a significant and recognised role to play in developing our business and we intend to continue to encourage such participation.

Our confidential employee attitude survey is an important part of our employee feedback process. The next round of this survey is due to be run in 2007 and we are confident that we will maintain and build upon the excellent scores we have achieved in our two previous surveys.

The Group operates a free Employee Assistance Programme providing confidential support for employees, either directly or through their manager, 24 hours a day, 365 days a year.

Diversity and work/life balance

The vast majority of our people work on a part time basis to suit their personal circumstances offering excellent opportunities for students, people returning to the work environment and those who find vocational rather than academic training the best way to maximise their potential. As a Group with pubs that operate at the heart of their local communities we are proud that the people we employ in these pubs are drawn from these communities.

The Group runs a development programme for our people that focuses specifically on issues relating to diversity and in addition, this topic also features in other development and training programmes such as recruitment and selection.

Pathfinder Pubs is a member of the Employers' Forum on Disability. During the year we had an ongoing programme of accessibility audits of our outlets and made significant investment in changes that make our pubs more accessible to customers and employees with a disability.

This year has also seen the introduction of a Childcare Voucher Scheme offering employees significant tax savings when paying for a whole range of childcare initiatives.

Many within our head office and supply chain teams have been with us for more than 25 years and we recognise this loyalty and commitment with long service awards for both 25 and 40 years service.

This year we have extended our "Pathfinder Privilege" scheme, offering employees and Group pensioners 20% off their food and accommodation bill in most Pathfinder Pubs, to our shareholders; something that has been particularly well received.

Developing all of our people

The Group operates a whole range of activities designed to encourage anyone who wants to develop within the business.

All bar and kitchen staff receive a comprehensive induction, job skills and health and safety training and can then opt to go on to undertake specialist courses in areas such as catering or cellar management before moving on to our Keyholder Programme. The Keyholder Programme is designed to encourage staff within Pathfinder's pubs to obtain the skills they need to ultimately manage their own outlet and then possibly move into area management.

We offer similar induction, job skills and health and safety training to all our industrial staff together with specialist courses such as fork lift truck and HGV driving. Ultimately they can graduate onto courses accredited by the Chartered Institute of Management (CIM) that prepare them for supervisory, technical or management roles.

For head office and management staff we run a large range of development programmes, many accredited by the CIM or other external training/education bodies. Our people are encouraged to apply for these in order to develop themselves

06 CORPORATE AND SOCIAL RESPONSIBILITY

and their teams. As well as internal programmes the Group supports many of its employees through further and higher education. We also run short courses covering general interests and hobbies to encourage people to think about development in a positive way and to foster a spirit of lifelong learning.

The Group has been continually accredited with the prestigious Investor in People standard since 1995 and has won a number of National Training Awards over the same period.

A sensitive approach to restructuring

The Group has been at the forefront of the industry's consolidation process and the transfer of managed pubs to the tenanted/ lease operating model.

Whilst we seek to minimise the impact of this on employees, we recognise that this does sometimes result in people leaving the business. The Group has a redundancy policy that, through individual and collective consultative processes, seeks to avoid or minimise the number of job losses that may result from such activity. Where avoidance is not a viable option we seek to minimise the impact through the selective use of initiatives such as redeployment, natural wastage, voluntary severance, outplacement support and enhanced redundancy packages.

In 2004 the Group was highly commended at the Human Resources Excellence Awards for its work in this area.

PROTECTING OUR ENVIRONMENT

The Board determines the Group's Environmental Policy and the Environmental Committee, chaired by the Finance Director, is responsible for policy implementation.

Environmental management

The Group uses structured environmental management systems and processes that allow it to: -

- Adopt economic production processes, which minimise environmental impact.
- Continue to aim for prevention of pollution at source.
- Provide appropriate training so that employees are able to exercise personal responsibility in preventing harm to the environment.
- Contribute to every aspect of environmental protection.
- Provide facilities for environmental auditing.

The Group has Integrated Pollution Prevention Control (IPPC) permits from the Environment Agency for our qualifying production sites. This permit recognises the best use of available techniques for energy and waste management.

Energy

The Group's aim is to minimise energy consumption by its continued use of measuring and monitoring techniques and by setting challenging targets for energy reduction to ensure continuous improvement in environmental performance.

We collate and analyse statistics related to the Climate Control Levy, energy usage and effluent production to compare production sites and provide targets for general improvement initiatives. The results are also used to assist in the determination of capital investment projects, update future energy targets and form part of the post investment evaluation.

We also continue to monitor energy usage per square foot in our managed estate and have recently appointed a utilities specialist to help us fully optimise the benefits of this data. In addition to this, Pathfinder Pubs was the first pub operator to work on a joint project with the Carbon Trust and we are about to start detailed energy usage monitoring in a large sample of our pubs to actively explore opportunities for further carbon emission reduction. One practical outcome of an increased focus on energy usage has been the purchase and installation of more energy efficient cellar coolers and bottle cabinets.

We now use low energy lighting in the majority of the trading areas and all of the back of house areas within our Pathfinder Pubs estate.

Water use

We continue to undertake detailed surveys at our prime usage sites with a view to recommending methods of reducing usage. We have now completed water risk assessments in all of our Pathfinder pubs and monitoring procedures are being introduced on a rolling basis. We also work with water authorities and the Environment Agency to meet standards for disposal of rainwater and effluent.

Adding to the work already undertaken, a major project has been initiated at our Burton brewing site which, once completed, should see significant and sustained reductions in our consumption of water and generation of effluent.

Recycling

We recycle wherever it is practical to do so. During the course of our last financial year we recycled nearly 350 tonnes of cardboard, over 100 tonnes of plastic and over 700 tonnes of glass within our packaging operation alone.

We are also running recycling initiatives in conjunction with our waste disposal contractor within our Pathfinder Pubs estate. We currently have 150 pubs participating in the scheme who, on an annual basis, will recycle over 2,800 tonnes of glass, a tonnage that will increase as more pubs are added to the initiative. We are also exploring the possibility of setting up a similar scheme for recycling cardboard.

06 CORPORATE AND SOCIAL RESPONSIBILITY

HEALTH AND SAFETY

The Board and health and safety

The Group has a Health and Safety Policy, endorsed by the Board and used throughout the Group. The annual report and presentation to the Board by the Group Health and Safety Manager gives detailed statistics on health and safety issues and the progress made in improving our performance where required. These reports also outline planned health and safety initiatives and comments on potential future developments and challenges.

Health and safety – practical application and employee involvement

Relevant health and safety information and guidance forms a part of our induction process, and many managers have been trained in risk assessment techniques. All of our production, distribution and head office locations, together with Pathfinder Pubs, have active health and safety committees, involving both managers and employees, which meet regularly and are co-ordinated by the Group Health and Safety Manager.

Within Pathfinder Pubs, all pubs undergo health and safety audits by an external contractor and the measures by which we judge a satisfactory outcome are continually reviewed and raised. Each pub receives a comprehensive health and safety manual for use as a source of information, guidance and training together with a set of compliance documentation that has been widely praised by Environmental Health Officers.

In The Union Pub Company tenants and lessees are provided with the opportunity to receive health and safety training, and can also obtain examples of best practice for use within their pubs.

Field Operations Interventions for Larger Enterprises (FOILE) Initiative

The FOILE Initiative is a programme established by the Health and Safety Executive (HSE) with a view to taking a more proactive stance to health and safety management. The Group were pleased to be asked to work in partnership with the HSE and we look forward to seeing this relationship develop further.

A RESPONSIBLE ATTITUDE TOWARDS ALCOHOL

Our promotional material carries a clear and concise message encouraging the responsible consumption of alcohol, together with information about the alcohol content of the product concerned. Marston's Pedigree was the first beer brand to include a responsible drinking message in its television advertising, something that the rest of the sector has been quick to adopt.

Our training programmes for our retail staff include significant elements designed to assist their determination of when it would be inappropriate to serve a customer and how to take positive steps to ensure that difficult situations are handled in a calm, safe and considered manner. Particular emphasis is placed upon the identification of potential underage drinkers and the Group supports the Challenge 21 initiative in both its managed and leased pub estate.

Within The Union Pub Company we run a customised drinks and drugs awareness programme, which our lessees and tenants are encouraged to attend. Having been chosen as Most Responsible On Trade Retailer (Pub Company) at the Responsible Drinks Retailing Awards 2004 run by The Morning Advertiser, The Union Pub Company continues to lead the field in this area.

The Group is a member of the British Beer and Pub Association (BBPA), and Pathfinder Pubs and The Union Pub Company are both associate members of The Portman Group and are committed to complying with the provisions of its code. Full details of this code of practice can be found on The Portman Group website either directly or via the link from the Group's own website www.wdb.co.uk. The Union Pub Company and Pathfinder Pubs will also be supporting the Drinkaware Trust and the activities it plans.

For the last two years the Group has provided funding for Staffordshire County Youth Service enabling them to give their teenage Peer Health Advisors alcohol awareness training. The outcome was that well over 1,000 young people have received advice and support from this initiative and it is likely that this will be repeated this year.

IN THE COMMUNITY

The Group is committed to being an active and positive contributor to the communities it serves. The Group's Corporate and Social Responsibility (CSR) Committee meets at least quarterly, under the stewardship of the Finance Director.

Community support

The Group works with Business in the Community and encourages employees to get involved in voluntary projects that interest them. Examples this year have involved teams of employees undertaking projects with the National Trust, the Acorns Childrens' Hospice in Walsall and two local schools, all aimed at providing or refurbishing facilities for these organisations. The Group is very pleased to be asked to support, both financially and practically, these employee initiatives.

WDB Brands personnel in Wolverhampton are also involved in the Mayor's Charities through our support of the Wolverhampton Marathon.

Charitable donations

Each year our licensed retail managers, pub staff and tenants raise significant amounts of money for many

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different charitable causes through local pub based activity and contributions from the Pathfinder Local Heroes Foundation. Donations from the foundation are funded directly from contributions made by employees within its' head office function, which are then matched by the Pathfinder Pubs division.

In addition to providing prizes and administrative support for the charitable activities of their tenants and lessees, The Union Pub Company raises money for nominated charities and WDB Brands makes hundreds of prize donations for charitable activities run by its Free Trade customers.

Our employees also run their own W&DB Employee Charity Fund, which we are proud to support. This fund is run by employees for employees and since its inception has raised well over £160,000 for local causes. In the last twelve months the fund has made donations totalling some £11,000 to a range of good local causes nominated by our employees. In support of this the Group runs Give As You Earn arrangements for employees enabling them to make tax-efficient donations to this, or any other registered charity of their choice. The administration charges for running this scheme are borne by the Group, thereby ensuring that employees' donations are given in their entirety to good causes.

ETHICAL PURCHASING

As a responsible employer we have a duty to support and encourage a responsible purchasing policy for all of its goods and services. As a minimum, all of our purchasing professionals abide by the Chartered Institute of Purchasing and Supply's (CIPS) Professional Code of Ethics Statement. This code requires purchasing professionals to have due regard for their responsibilities in respect of a whole range of issues and full details of the code can be found on the CIPS website or follow the link on our own Group website, www.wdb.co.uk.

The Finance Director, through the Group Director of Purchasing, is responsible for the implementation and monitoring of this policy.

In support of our commitment to this code of practice we are also registered members of SEDEX, the Suppliers Ethical Data Exchange.

07

DIRECTORS' REPORT

The Directors present their annual report and audited financial statements for the financial year ended 30 September 2006. This represents a 52 week period for the financial year.

Principal activities and business review

The Group's principal activities are operating managed, tenanted and leased public houses, brewing beer and wholesaling beer, wines and spirits.

The business review is covered within the Chairman's statement, the Chief Executive's review and the Financial review. The business review covers the development and performance of the Group and its position at the year end. The business review includes information on the risks and uncertainties faced by the Group as well as the key performance indicators (KPIs). The management of business risk is set out in the Corporate Governance report.

Results and dividends

The profit for the period after taxation amounted to £73.3 million (2005: £39.1m). The dividend on the cumulative preference shares was £5,250 (2005: £5,250). The Directors propose a final dividend of 28.23p (2005: 25.66p) per ordinary share of 29.5p which when added to the interim dividend of 14.52p (2005: 13.20p), makes a total of 42.75p (2005: 38.86p) per ordinary share for the period ended 30 September 2006. The final dividend, as proposed and if approved, will be paid on 31 January 2007 to those shareholders on the register at close of business on 29 December 2006.

Policy and practice

The commitment and ability of our employees are key factors in achieving the Group's objectives. We seek to give equal opportunities in employment and ensure that all employees receive fair treatment irrespective of sex, religion, ethnic origin or disability including those who become disabled during their employment. Employment policies are based on the provision of appropriate training, and annual personal appraisals support skill and career development. The Group operates a Save As You Earn share option scheme open to all employees on the completion of three years service.

Our communications aim is to increase the understanding and commitment of all our employees through regular briefings and in-house publications.

Research and development is either by way of market research, or in conjunction with the Brewing Research Foundation International.

Environmental policy is determined by the Board. Performance against preset objectives is reviewed regularly by a sub-committee of the Board chaired by the Finance Director. Our operations comply with relevant environmental legislation to minimise risks of all forms of pollution and noise.

The Group's payment policy follows the CBI's Prompt Payment Code for all suppliers. Copies of this Code can be obtained from the Company's registered office. Creditor days at the period end for the Group were 39 (2005: 38), and creditor days for the Company were nil (2005:nil).

Charitable donations made during the year were £26,675 (2005: £45,176). These were made across the divisions to various local and national charities, further details of which can be found in the Corporate and social responsibility report on pages 22 and 23. No political donations were made (2005: £nil).

Directors

The present Directors and their biographical details are shown on pages 18 and 19. All served throughout the financial year with the exception of Rosalind Cuschieri who was appointed to the Board as a Non-executive Director on 17 October 2006. In accordance with the Company's articles of association she will retire at the forthcoming annual general meeting and offer herself for election. David Thompson, Ralph Findlay and Alistair Darby retire by rotation in accordance with the Company's articles of association and offer themselves for re-election at the forthcoming annual general meeting. Details of the terms under which the Directors serve and their remuneration are given in the Directors' remuneration report on pages 27 to 33.

07 DIRECTORS' REPORT

Interests of Directors

The interests of the Directors and their immediate families in the ordinary share capital of the Company as at 30 September 2006 were:

	Ordinary Shares			
	Beneficial		Non-beneficial	
	2006	2005	**2006**	2005
Derek Andrew	**58,053**	60,753		
Alistair Darby	**22,802**	12,102		
Miles Emley	**8,812**	8,812		
Ralph Findlay	**69,620**	69,620		
Lord Hodgson	**1,680**	1,680		
Paul Inglett	**20,594**	13,822		
Peter Lipscomb	**5,000**	5,000		
Stephen Oliver	**22,720**	8,720		
David Thompson	**181,560**	161,052	**289,356**	268,212

In addition, Derek Andrew, Ralph Findlay, Paul Inglett, Stephen Oliver and Alistair Darby as Executive Directors are treated as having a beneficial interest in the total number of 23,786 ordinary shares (2005:163,862) held in the ESOP. The interests in share options are set out on page 30.

No Director had any material interest in any contract of the Group's business during or at the end of the period. There have been no changes in Directors' interests between 30 September 2006 and 1 December 2006.

Substantial shareholdings

The Company has received notification of the following interests in 3% or more of its issued share capital as at 30 September 2006:

Ordinary shares	Number	%
Prudential Plc	4,741,403	6.09
Silchester International Investors Limited	3,433,306	4.41
The Royal Bank of Scotland Group Plc	3,051,750	3.92
Legal & General Investment Management	2,785,929	3.58

Since the year end the Directors have been notified that AXA Investment Managers UK Limited have an interest in ordinary shares of 8,231,413 (10.57%), made up of a beneficial holding of 411,013 (0.53%) and a non-beneficial holding of 7,820,400 (10.04%).

Preference shares	Number	%
Fiske Nominees Limited A/C IONIA042	31,548	42.1
Medlock & Medlock Limited	6,750	9.0
George Mary Allison Limited	5,500	7.3
Mrs A Somerville	5,500	7.3
Mr P F Knowles, A/C KBMAM	4,056	5.4
Mr A W R Medlock	3,657	4.9
R C Greig Nominees Limited A/C BL1	3,283	4.4
Mr A F Southall	2,855	3.8
Fiske Nominees Limited A/C IONIA023	2,500	3.3

07 DIRECTORS' REPORT

Repurchase of shares
At the annual general meeting held on 20 January 2006 shareholders authorised the Company to make market purchases of its ordinary shares of 29.5p each.

Pursuant to this authority the Company has, during the year, purchased 1.12 million ordinary shares of 29.5p each on the open market to hold as treasury shares, having a total nominal value of £0.33 million representing 1.43% of the Company's issued share capital as at that date, for an aggregate amount of £14.8 million. This represents the Company's total holding in treasury shares. This repurchase of shares was in line with the Company's objectives of operating an effective balance sheet and delivering shareholder value.

Post balance sheet event
On 1 December 2006 the Company announced its intention to proceed with a 4-for-1 share split, subject to shareholder approval at an Extraordinary General Meeting on 8 January 2007. The nominal value of the shares will change from 29.5p to 7.375p.

Disclosure of audit information
So far as the Directors are aware, there is no relevant audit information of which PricewaterhouseCoopers LLP (PwC) are unaware, and the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that PwC are aware of that information.

Auditors
PwC have indicated their willingness to continue in office. A resolution for their re-appointment as Independent Auditors and to authorise the Directors to fix their remuneration will be proposed at the annual general meeting.

Annual general meeting special business

Resolution number 8 – to approve the Directors' remuneration report.

Resolution number 9 – authority to allot shares
This resolution seeks renewal of the Directors' authority to allot unissued shares up to an aggregate nominal amount of £7,023,084 representing approximately 31% of the total ordinary share capital of the Company in issue as at 30 September 2006.

The authority contained in this resolution will be valid for up to 15 months after passing the resolution or until the date of the annual general meeting in 2008, whichever is earlier. The Directors consider that this authority is desirable to allow the Company to retain flexibility, although they have no present intention of exercising this authority.

Resolution number 10 – disapplication of shareholders' pre-emption rights
This resolution seeks renewal of the Directors' authority to issue ordinary shares up to an aggregate nominal amount of £1,148,846 representing approximately 5% of the total ordinary share capital of the Company in issue as at 30 September 2006, for cash without offering the shares first to existing shareholders by way of rights.

The authority contained in this resolution will be valid for up to 15 months after passing the resolution or until the date of the annual general meeting in 2008, whichever is earlier.

Resolution number 11 – purchase of own shares by the Company
The Company's articles of association permit the purchase of the Company's own shares, subject to the provisions of the Companies Acts. The Directors consider it desirable and in the Company's interests for shareholders to grant the Company authority to exercise this power, within certain limits, to enable it to purchase its own shares in the market. We undertake that the authority will only be exercised if we are satisfied that the purchase will result in an increase in earnings per share and is in the best interests of the shareholders generally. Subject to the passing of Resolution number 11 and to the extent that the Company exercises such power, the Company may decide to either cancel the shares it purchases pursuant to such power and/or hold such shares in treasury for resale.

We propose an authority for the Company to purchase its own shares in the market, up to a total of 11,675,388 ordinary shares of 29.5p each, or, if the Company's proposed share split to be considered at the Extraordinary General Meeting of the Company convened for 9.00am on 8 January 2007 is approved, 46,701,552 ordinary shares of 7.375p each, in each case having an aggregate nominal value of £3,444,239 representing approximately 14.99% of the issued ordinary share capital of the Company as at 30 September 2006.

As at 1 December 2006, there were options and other awards outstanding under the Company's share schemes over 1,225,069 ordinary shares which represent 1.6% of the Company's issued ordinary share capital (excluding treasury shares) at that date. If the authority to purchase the Company's ordinary shares is exercised in full, these options and other awards would represent 1.8% of the Company's issued ordinary share capital (excluding treasury shares).

Recommendation
We consider that the resolutions to be proposed at the annual general meeting are in the best interests of the Company and it is our unanimous recommendation that you support these proposals as we intend to do in respect of our own holdings.

By Order of the Board

Anne-Marie Brennan
Secretary
1 December 2006

08

DIRECTORS' REMUNERATION REPORT

Composition and Terms of Reference of the Remuneration Committee

The Remuneration Committee is appointed by the Board and comprises Peter Lipscomb (Chairman), Miles Emley and Lord Hodgson, all of whom are independent Non-executive Directors.

The Committee is responsible for setting the framework and policy for the remuneration of the Executive Directors, which it reviews annually for appropriateness and relevance. It is also responsible for determining the specific elements of the Executive Directors' remuneration, their contractual terms and compensation arrangements. In addition, the Committee monitors the level and structure of remuneration for senior management and approves their bonus payments. It also oversees any major changes in employee benefit structures throughout the Group. The terms of reference of the Committee can be found in the Investors' section of the Group's website at www.wdb.co.uk.

In setting policy and compensation levels, the Remuneration Committee has due regard to the Combined Code. The Committee took advice on specific issues during the year from the Chief Executive, Ralph Findlay, who did not, however, provide any advice in relation to his own remuneration. The Committee also referred to data from independent professional sources for general remuneration levels and comparator group information to ensure that the awards remain competitive and in line with best practice.

Remuneration policy

The Group's remuneration policy is to ensure that the remuneration of Executive Directors is sufficiently competitive to enable the Group to retain and motivate existing Directors and attract high quality performers in the future. The Committee undertakes an annual review of market practice and considers the remuneration levels of directors in companies of similar size from within and outside of the industry sector. The Group also aims to incentivise and reward its Executive Directors in a way that is consistent with the Group's commercial objectives and to align the interests of the Directors with those of shareholders. To achieve this, the Executive Directors' total remuneration comprises both fixed remuneration and variable reward, the latter reflecting both Company performance and individual achievement. The main fixed and variable elements of remuneration for Executive Directors are set out below. Only the basic salary element is pensionable.

Fixed	**% of salary**
• basic salary;	
• benefits in kind (detailed in the notes to the Directors emoluments table on page 29);	
• pension benefits.	
Variable	
• annual award of share options under the Long Term Incentive Plan (LTIP), vesting after 3 years, subject to performance conditions being met.	**up to 100%**
• annual bonus related to Company performance and individual objectives.	**up to 75%**

The Group's remuneration policy in respect of Non-executive Directors is to pay annual fees which reflect the responsibilities and duties placed upon them, whilst also having regard to market practice.

Service contracts

The Group's policy is that all Executive Directors' contracts are on a rolling 12 months basis. They are subject to 12 months' notice when terminated by the Group and 6 months' notice when terminated by the Executive Director. David Thompson has a 6 month rolling contract. The table below details the Directors' service contracts.

Payments to Directors upon termination of their contracts will be equal to the Director's basic salary for the duration of the notice period. There is no reduction for mitigation or for early payment for those listed above. The Remuneration Committee has taken the view that since the current Executive Directors are all long standing employees of the Group, they would merit full compensation in the event of unilateral termination of their employment by the Group. This would not necessarily apply to new appointments.

With the exception of David Thompson, the Non-executive Directors do not have a service contract and their appointments may be terminated without compensation at any time. All Non-executive Directors have letters of appointment and their appointment and subsequent re-appointment is subject to approval by shareholders.

The Committee has reviewed these arrangements in the light of current market practice and the relevant provisions of the Combined Code and considers that they are appropriate and in the interests of shareholders, the Group and the individuals concerned.

	Date of contract	Notice period (Group)	Notice period (Director)
Derek Andrew	22 July 2004	12 months	6 months
Alistair Darby	16 May 2003	12 months	6 months
Ralph Findlay	15 Aug 2001	12 months	6 months
Paul Inglett	22 Mar 2002	12 months	6 months
Stephen Oliver	15 Aug 2001	12 months	6 months
David Thompson	24 Jan 2002	6 months	6 months

08 DIRECTORS' REMUNERATION REPORT

Salaries
Salaries for Executive Directors were reviewed as at 1 October 2005 against comparable positions in companies of a similar size and complexity. The aim of the Group is to provide a competitive remuneration package to retain key executives whilst having regard to an individual's performance and responsibilities and in the context of other pay awards made in the Group.

Bonuses
Bonus objectives for Executive Directors are set based on a combination of Group profit achievement and personal objectives. The level of bonus payments awarded is dependent on the level of performance achieved and is determined by the Remuneration Committee who retain discretion over the level of payout depending on the quality of the financial performance in achieving the result. There is a maximum possible bonus of 75% of basic salary, comprising a maximum 50% award for profit achievement and a maximum 25%, awarded at the discretion of the Remuneration Committee, for personal achievement.

The terms and conditions for bonus payments are unchanged from the previous year. Bonuses are payable in December 2006. The performance targets and KPIs are reviewed annually and relate to financial trading targets and other quantitative objectives all of which are commercially sensitive and are therefore not included in this report.

Share incentive schemes
The Group operates executive share option schemes, a Long Term Incentive Plan (LTIP) and savings related share option schemes.

The 1994 Executive Share Option Scheme is an Inland Revenue approved scheme and the 1997 Executive Share Option Scheme is a non-Inland Revenue approved scheme used to make awards to Executive Directors and other selected employees above their £30,000 tax efficient limit. The 1994 scheme expired in January 2004 and this, together with the 1997 scheme, was replaced by the 2004 Executive Share Option Scheme which was approved by shareholders at the annual general meeting (AGM) held on 23 January 2004. Executive share options are awarded at the prevailing market rate on the date of grant. Options are normally exercisable between three and ten years after grant and upon the achievement of stated performance criteria. No executive share options have been granted to the Directors since 2003.

The exercise of executive share options granted under the 1994 and 1997 schemes is subject to the Group achieving growth in earnings per share (eps) in excess of the growth in the retail price index (RPI) by an average of 2.0% per year over a three-year performance period. For the 2004 scheme, the growth in eps must be in excess of the growth in RPI by an average of 3.0% per year over a three-year performance period before an option becomes exercisable.

At this level of performance the value of shares under option which will vest will be up to 100% of base salary.

The maximum value of options vesting is up to 200% of salary where the growth in eps exceeds the growth in RPI by an average of 9.0% per year. Between these two growth rates a straight line vesting of options operates. There are no re-testing provisions under any of the schemes. The Remuneration Committee retains the discretion to change the performance measures for future awards, if appropriate, provided the new conditions are no less stretching. The levels of the target and maximum awards will not be increased without shareholder approval. The Committee believes the eps performance conditions to be appropriate and provide proper alignment with the Group's overall performance.

The Group introduced the LTIP following shareholder approval at the AGM in January 2004. Both Executive Directors and senior managers are eligible to participate and the maximum annual conditional award of nil cost options that can be made to an individual is equivalent to 100% and 35% of salary respectively. The options granted during the year will only become exercisable (vest) provided the participant satisfies the minimum shareholding requirement and the performance conditions are met. The minimum shareholding requirement as a percentage of salary required to participate in the LTIP is 100% for Directors and 35% for senior managers. Spouse holdings for both Directors and senior managers are included in satisfying this requirement. The options will vest to the extent that the Group's growth in eps exceeds the growth in RPI over a period of three years. There will be no re-testing provisions if the performance conditions are not met.

Where the excess growth is at least 3% compound in excess of the increase in RPI over the three-year performance period, then 35% of the option awarded will vest.

Where the excess growth is at least 9% over the period, then 100% of the option will vest.

A sliding scale will operate between these two points.

If these performance conditions or the minimum shareholding requirement are not met, then those relevant options will lapse on the first date that they would otherwise have vested.

Once the options have vested the participant may choose to exercise the option. Alternatively, they may retain the option but, if the Remuneration Committee determines, then following vesting but before exercise the participant may be allowed to diversify up to 50% of their risk, such that the number of Company shares under option ultimately receivable will then be determined by reference to the movement in value of other securities. Following a switch an option holder may still exercise their option at any time (subject to the rules of the plan) and the exercise will be satisfied via Company shares.

08 DIRECTORS' REMUNERATION REPORT

It is envisaged that for the foreseeable future the Remuneration Committee is likely to continue to make awards under the LTIP rather than the executive share option scheme, and in any event does not intend to make awards under both the LTIP and executive share option schemes in the same year.

The Remuneration Committee are of the view that the current performance criteria and vesting schedules remain appropriate to the Group's circumstances and to shareholder value.

The Group also operates an Inland Revenue approved Save As You Earn (SAYE) plan which is available to all eligible employees, including the Executive Directors.

Invitations are usually offered annually for a savings contract of 3, 5 or 7 years subject to the maximum monthly savings limit of £250. Options are granted at a discount of 20% of the market value of the Company's shares at the date of grant, subject to the agreement of the Remuneration Committee, and their exercise is not subject to performance conditions.

There have been no changes from the previous year to the terms and conditions of the Company's share incentive schemes.

Directors' emoluments
The emoluments of the Directors for their services as Directors of the Group for the period ended 30 September 2006 were:

Directors' emoluments	Salary/ Fees £	Bonus £	Non-cash benefits £	Other cash benefits £	2006 Total £	2005 Total £
Derek Andrew	224,427	44,720	4,756	13,500	287,403	351,138
Alistair Darby	210,000	26,250	5,165	13,500	254,915	323,101
Miles Emley	33,000	-	-	-	33,000	33,000
Ralph Findlay	367,500	73,500	9,104	16,200	466,304	585,125
Lord Hodgson	30,000	-	-	-	30,000	30,000
Paul Inglett	215,000	43,000	5,141	13,500	276,641	346,523
Peter Lipscomb	38,000	-	-	-	38,000	38,000
Stephen Oliver	215,000	32,250	3,470	13,500	264,220	334,109
David Thompson	120,000	-	3,078	16,200	139,278	138,783
	1,452,927	219,720	30,714	86,400	1,789,761	2,179,779

Non-cash benefits principally include life assurance and private health cover. Other cash benefits represent cash allowances paid in lieu of a company car.

The fees relating to the services of Lord Hodgson were paid to Johnson Brothers & Co Limited.

No Executive Directors earn fees outside their employment.

Non-executive Directors fees and benefits
The fees for the Chairman and Non-executive Directors are determined by the Board as a whole and are reviewed every two years. They were last reviewed in October 2004. There have been no changes from the previous year to the level of fees paid. The basic fee is currently £30,000 per annum with an additional fee of £3,000 per annum for the chairmanship of the Audit and Remuneration Committees. There is also a further fee of £5,000 per annum paid to the senior independent Non-executive Director who is also Deputy Chairman. The Non-executive Directors do not participate in any of the Group's incentive plans, nor do they receive any benefits or pension contributions from the Group, with the exception of David Thompson whose benefits are as set out on pages 30 and 31.

08 DIRECTORS' REMUNERATION REPORT

Directors' share options

	Date of grant	At 1 Oct 2005	Granted during the year	Exercised during the year	Lapsed during the year	**At 30 Sept 2006**	Share price on exercise p	Option price p	Exercise period From	Exercise period To
Derek Andrew										
Executive	10 Jan 03	20,000	–	20,000	–	**–**	1251.0	604.0	9 Jan 06	9 Jan 10
SAYE	30 Jun 00	6,633	–	–	–	**6,633**	–	277.0	31 Jul 07	31 Jan 08
SAYE	21 Jun 05	2,127	–	–	–	**2,127**	–	840.0	01 Aug 12	31 Jan 13
LTIP	15 Jun 04	24,554	–	–	–	**24,554**	–	0.0	15 Jun 07	–*
LTIP	26 May 05	19,833	–	–	–	**19,833**	–	0.0	26 May 08	–*
LTIP	26 Jun 06	–	17,816	–	–	**17,816**	–	0.0	26 Jun 09	–*
Alistair Darby										
Executive	10 Jan 03	20,000	–	20,000	–	**–**	1222.0	604.0	9 Jan 06	9 Jan 10
SAYE	26 Jun 02	1,194	–	–	–	**1,194**	–	554.0	31 Jul 07	31 Jan 08
SAYE	25 Jun 03	616	–	–	–	**616**	–	517.0	31 Jul 08	31 Jan 09
SAYE	21 Jun 05	786	–	–	–	**786**	–	840.0	01 Aug 10	31 Jan 11
LTIP	15 Jun 04	22,713	–	–	–	**22,713**	–	0.0	15 Jun 07	–*
LTIP	26 May 05	18,911	–	–	–	**18,911**	–	0.0	26 May 08	–*
LTIP	26 Jun 06	–	16,733	–	–	**16,733**	–	0.0	26 Jun 09	–*
Ralph Findlay										
Executive	10 Jan 03	20,000	–	–	–	**20,000**	–	604.0	9 Jan 06	9 Jan 10
SAYE	21 Jun 05	1,967	–	–	–	**1,967**	–	840.0	01 Aug 10	31 Jan 11
LTIP	15 Jun 04	39,901	–	–	–	**39,901**	–	0.0	15 Jun 07	–*
LTIP	26 May 05	32,287	–	–	–	**32,287**	–	0.0	26 May 08	–*
LTIP	26 Jun 06	–	29,282	–	–	**29,282**	–	0.0	26 Jun 09	–*
Paul Inglett										
Executive	10 Jan 03	20,000	–	20,000	–	**–**	1255.0	604.0	9 Jan 06	9 Jan 10
SAYE	25 Jun 03	715	–	715	–	**–**	517.0	517.0	31 Jul 06	31 Jan 07
SAYE	28 Jun 04	294	–	–	–	**294**	–	640.0	31 Jul 07	31 Jan 08
SAYE	21 Jun 05	451	–	–	–	**451**	–	840.0	01 Aug 08	31 Jan 09
SAYE	29 Jun 06	–	368	–	–	**368**	–	1016.0	01 Sep 09	29 Feb 12
LTIP	15 Jun 04	22,713	–	–	–	**22,713**	–	0.0	15 Jun 07	–*
LTIP	26 May 05	18,911	–	–	–	**18,911**	–	0.0	26 May 08	–*
LTIP	26 Jun 06	–	17,131	–	–	**17,131**	–	0.0	26 Jun 09	–*
Stephen Oliver										
Executive	10 Jan 03	20,000	–	14,000	–	**6,000**	1286.0	604.0	9 Jan 06	9 Jan 10
SAYE	26 Jun 02	3,244	–	–	–	**3,244**	–	554.0	31 Jul 09	31 Jan 10
LTIP	15 Jun 04	22,713	–	–	–	**22,713**	–	0.0	15 Jun 07	–*
LTIP	26 May 05	18,911	–	–	–	**18,911**	–	0.0	26 May 08	–*
LTIP	26 Jun 06	–	17,131	–	–	**17,131**	–	0.0	26 Jun 09	–*
David Thompson										
Executive	2 Jan 96	39,000	–	39,000	–	**–**	1231.0	581.0	1 Jan 99	1 Jan 06
Executive	23 Dec 99	15,000	–	15,000	–	**–**	1347.0	541.0	22 Dec 02	22 Dec 06
Executive	30 May 00	180,000	–	180,000	–	**–**	1347.0	325.5	29 May 03	29 May 07
SAYE	30 Jun 00	6,633	–	–	–	**6,633**	–	277.0	31 Jul 07	31 Jan 08

* Provided the required shareholding and the three-year performance conditions are met, options granted under the LTIP will not expire until the end of the calendar year following the option holder's expected retirement date, or earlier at the discretion of the Remuneration Committee.

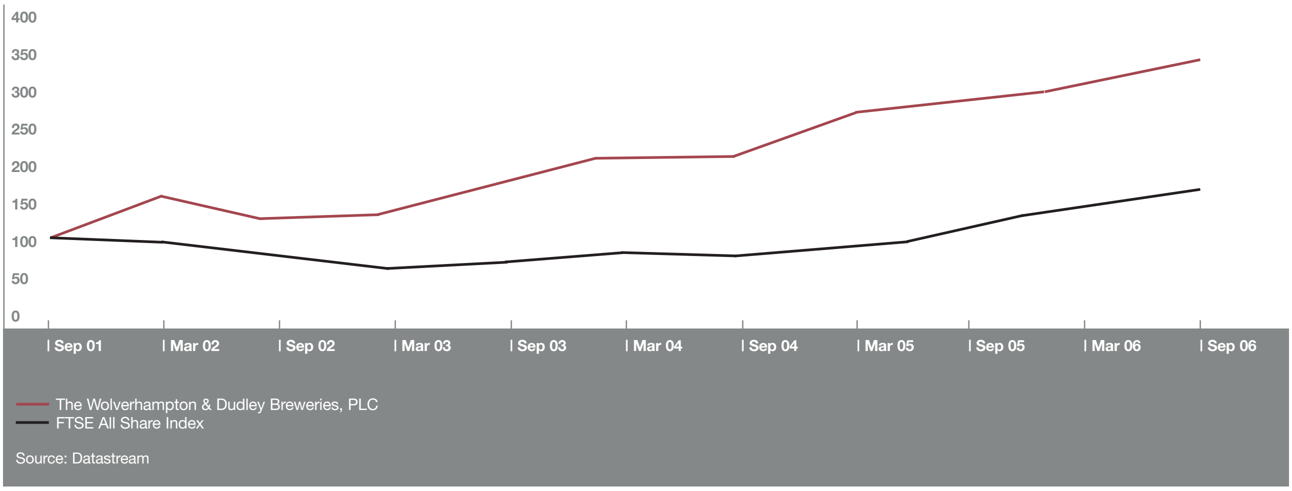
The mid-market ordinary share price range during the year was 1136p to 1456p with an average price of 1267.95p.

The mid-market ordinary share price on 29 September 2006 was 1440p (30 September being a Saturday).

08 DIRECTORS' REMUNERATION REPORT

Interests of Directors
The interests of Directors and their immediate families in the ordinary share capital of the Company are disclosed on page 25.

Total shareholder return graph
The graph below shows the comparative Total Shareholder Return (TSR) performance of the Company against the FTSE All Share Index during the previous five financial years. The FTSE All Share Index has been selected as a comparator because the Group believes it is the most meaningful market index of which the Company is a member. The Group believes it would have been less meaningful to use a narrower index such as the Leisure and Hotels index for comparison purposes. The TSR indices used in the chart have been calculated in accordance with the Directors' Remuneration Report Regulations 2002 relative to a base date at the end of September 2001.



Directors' pensions
Pension benefits earned by the Directors:

	Accrued pension at 30 September 2006 £	Change in accrued pension over 2005/2006 excluding increase for inflation £	Members' contributions over year £	GNII Transfer Value at 30 September 2006 £	GNII Transfer Value at 1 October 2005 £	Change in Transfer Value over 2005/2006 net of members' contributions £	Transfer Value of the increase in the accrued pension £
Derek Andrew	108,515	4,907	0	1,211,029	1,028,008	183,021	108,559
Alistair Darby	36,418	20,380	11,835	303,069	119,372	171,862	163,904
Ralph Findlay	31,218	4,681	17,741	316,013	239,980	58,292	54,805
Paul Inglett	28,352	2,747	12,023	217,502	173,672	31,807	28,496
Stephen Oliver	37,068	3,550	12,023	448,732	386,878	49,831	52,487
David Thompson	129,943	1,150	9,000	1,449,146	1,284,104	156,042	74,524

08 DIRECTORS' REMUNERATION REPORT

Notes
1 The pension entitlement shown is that which would be paid annually on retirement based on service to the end of the year from the approved pension scheme.
2 The increase in accrued pension during the year excludes any increase for inflation.
3 Members of the pension scheme have the option to pay Additional Voluntary Contributions. Neither the contributions nor the resulting benefits are included in the table above.
4 The Group operated funded unapproved arrangements for Ralph Findlay, Stephen Oliver and Paul Inglett until 5 April 2006 when these arrangements ceased.
5 The Transfer Values are calculated in accordance with version 8.1 of guidance note GN11 issued by the actuarial profession.

The following additional information relates to Directors' pensions:

(a) Normal retirement age is 60.
(b) On death before retirement a lump sum is payable, equal to the Director's contributions. However, some or all of this lump sum may be used to provide a statutory minimum spouse's pension. On death after retirement the spouse's pension payable is two-thirds of the member's pre commutation pension for Derek Andrew and David Thompson, 60% of the member's pre commutation pension for Ralph Findlay, Paul Inglett, Alistair Darby and Stephen Oliver's post 1 January 2002 service and 50% of the member's pre commutation pension for Stephen Oliver's pre 1 January 2002 service.
(c) Early retirement can be taken from age 50 provided the Group gives its consent. The accrued pension will then be reduced to take account of its early payment. From April 2010, the minimum age at which early retirement can take place will increase to 55.
(d) Pension increases for Derek Andrew, Ralph Findlay, David Thompson, Paul Inglett and Alistair Darby will be in line with statutory requirements before and after retirement. Stephen Oliver will receive statutory increases before retirement, post retirement increases on pension earned prior to 6 April 1997 at the rate of 3% per annum, on pension earned between 6 April 1997 and 1 January 2002 at the increase in RPI, subject to a maximum of 5% and a minimum of 3% and on pension earned after 1 January 2002 at the increase in RPI subject to a maximum of 5%. The Trustees have the discretion to grant pension increases above these rates.
(e) There are no discretionary benefits.

Ralph Findlay participated in an unfunded unapproved retirement benefit scheme (UURBS) from 13 January 1998 to 15 August 2001. The amount charged in the profit and loss account in respect of the UURBS has been included within contributions to the pension scheme above. The UURBS was replaced by a funded unapproved scheme (FURBS) from 15 August 2001 with past service UURBS being bought out by contributions to the FURBS spread over five years from 1 October 2001. The fifth such payment of £93,750 was made on 1 October 2005, together with £65,148 to meet the tax liability created. The total commitment of £468,750 was charged to the profit and loss account in the year ended 28 September 2002. The Group contribution to the FURBS for the period ended 30 September 2006 was £2,697.

Stephen Oliver participated in an UURBS from 1 September 2000 to 15 August 2001. The amount charged in the profit and loss account in respect of the UURBS has been included within contributions to the pension scheme above. The UURBS was replaced by a FURBS from 15 August 2001. The Group contribution to the FURBS for the period ended 30 September 2006 was £1,284.

Paul Inglett has participated in a FURBS since 11 March 2002. The Group contribution to the FURBS for the period ended 30 September 2006 was £1,027.

A new pensions regime came into force on 6 April 2006. Following a review of benefit provisions, contributions to the FURBS for Ralph Findlay, Stephen Oliver and Paul Inglett ceased with effect from 6 April 2006. From that date, pension benefits for these Directors and Alistair Darby are accrued on full salary (previously limited to the earnings cap) from The Wolverhampton & Dudley Breweries, PLC (W&DB) Scheme.

Pension arrangements

At the start of the year the Group operated three final salary pension schemes – the W&DB Scheme, the Burtonwood Scheme and the Jennings Scheme. During the year, the Burtonwood and Jennings Schemes merged with the W&DB Scheme.

The Group also operates three defined contribution arrangements.

The Wolverhampton & Dudley Breweries, PLC

During the year, the Group operated a final salary pension scheme (the W&DB Scheme) for employees who joined the W&DB Scheme prior to 29 September 1997. The W&DB Scheme was closed to new entrants from that date. The Group contributed 32.0% of the pensionable payroll for all members, and members contributed in accordance with the Rules. All employees in the W&DB Scheme have permanent health insurance and death-in-service life assurance cover to the value of four times their salary, subject to acceptance by insurers.

The Group introduced a Group Personal Pension Plan (GPPP) for new entrants with effect from 29 September 1997 to which it contributes 7.0% of pensionable salary and members contribute a minimum of 3.5% of their pensionable salary.

08 DIRECTORS' REMUNERATION REPORT

Membership of the GPPP provides permanent health insurance and death-in-service life assurance cover to the value of between two and four times pensionable salary, subject to acceptance by insurers.

The funds of the W&DB Scheme are administered by Trustees and are separate from the Group. An actuarial valuation of the W&DB Scheme was carried out as at 30 September 2005. This resulted in a long-term Group contribution rate of 17.5% of members' pensionable earnings plus an annual contribution of £7.2 million. The first of these annual contributions was received into the W&DB Scheme on 29 September 2006. This contribution is not recognised in the amounts quoted below, but is recognised in the valuation adopted in the accounts under IFRS as at 30 September 2006. The payment will be recognised in the next full actuarial valuation of the W&DB Scheme which has an effective date of 30 September 2008.

The assumptions that have the most significant effect on the funding position of the W&DB Scheme are those relating to the differences between the long-term rate of return on investments and the rates of increase in earnings. The 30 September 2005 valuation for the W&DB Scheme assumed that: the long-term investment return before retirement would exceed salary increases by 2.3% per annum and price inflation by 3.0% per annum, and the long-term investment return after retirement would exceed salary increases by 1.3% per annum and price inflation by 2.0% per annum.

The market value of the W&DB Scheme assets was £199.8 million, which was sufficient to cover 77% of members' accrued benefits, after allowing for future increases in earnings at the long-term rate.

During the year the Burtonwood and Jennings Schemes merged into the W&DB Scheme. The amounts quoted above do not include the assets and liabilities of the Burtonwood and Jennings Schemes but they are recognised in the valuation adopted in the accounts under IFRS as at 30 September 2006. They will be recognised in the next full actuarial valuation of the W&DB Scheme which has an effective date of 30 September 2008.

Burtonwood

During the previous year the Group acquired Burtonwood PLC which also operated a final salary pension scheme and a GPPP.

The Group has continued the contributions to this final salary scheme at the rate of 24.2% of pensionable salaries for Category A members and 18.4% of pensionable salaries for Category B members (as defined by the Burtonwood Scheme). These rates were determined following the latest actuarial valuation of the Burtonwood Scheme which took place as at 1 April 2003. The assumptions used for that valuation were that long term investment returns would be 6.25% per annum and that these would exceed salary growth by 2.75% per annum and price inflation by 3.75% per annum.

The market value of the Burtonwood Scheme's assets was £9.8 million which was sufficient to cover 81% of members' accrued benefits, after allowing for future increases in earnings at the long term rate. Following the merger the Group contributed at a rate of 32.0% of pensionable earnings.

Jennings

During the previous year the Group also acquired Jennings Brothers plc. Jennings also operated a final salary pension scheme and a defined contribution arrangement.

The Group has continued contributions to this final salary scheme at the rate of £21,000 per month until 1 July 2006 when it merged into the W&DB Scheme. This rate was determined following the latest actuarial valuation of the Jennings Scheme, which took place as at 6 April 2004. The assumptions used for that valuation were that long term investment returns would be 6.5% per annum and that these would exceed salary growth by 2.0% per annum and price inflation by 3.5% per annum. The market value of the Jennings Scheme's assets was £3.9 million which was sufficient to cover 70% of members' accrued benefits, after allowing for future increases in earnings at the long-term rate.

Following the merger the Group contributed at a rate of 32.0% of pensionable earnings.

Compliance with the Directors' Remuneration Report Regulations

The Directors' remuneration report has been prepared by the Remuneration Committee and approved by the Board. It has been written in line with the Directors' Remuneration Report Regulations incorporated in Schedule 7A to the Companies Act and the Combined Code on Corporate Governance and shareholders will be invited to approve it at the forthcoming AGM.

P. W. Lipscomb

Peter Lipscomb OBE
Chairman, Remuneration Committee
1 December 2006

Information subject to audit:
Under Part 3 of Schedule 7A of the Companies Act 1985 the following sections of the Directors' remuneration report are subject to audit: Directors' emoluments, Non-executive Directors' fees and benefits, Directors' share options, Directors' pensions and pension arrangements.

The other parts of the Directors' remuneration report including the performance graph are not subject to audit.

09

CORPORATE GOVERNANCE

Statement of compliance with the provisions of the Combined Code

The Group is committed to achieving high standards of corporate governance and to integrity and high ethical standards in all its business activities. The Board considers that it has complied with Section 1 of the Combined Code throughout the period, and to the date of the report, except with regard to Code provision A3.2 which provides that at least half the Board, excluding the Chairman, should comprise independent Non-executive Directors. The report sets out below how the principles of the Combined Code have been applied by the Group and the reasoning behind the composition of the Board.

Structure

During the period, the Board comprised of four Non-executive Directors, one of whom was the Chairman, and five Executive Directors. Between the end of the period and the date of this report, the Board appointed a further Non-executive Director, Rosalind Cuschieri. The Non-executive Directors all possess a wide range of skills and experience. All exercise independent judgement although David Thompson, the Chairman, cannot be considered independent under the requirements of the Code because of his past experience as a long serving Executive Director. Peter Lipscomb, Deputy Chairman, is appointed as the senior independent Non-executive Director. His experience and business interests ensure his independence from management which is also the case for the other independent Non-executive Directors. The Board consider that the current balance of Executives and Non-executives is such that no one individual or small group can dominate the Board's decision taking by virtue of the strength of experience and character possessed by the independent Non-executives. This is further strengthened by the process by which matters are disclosed to, and decisions are made by, the Board.

The Board met 11 times during the year in the normal course of business and additionally as required. Each Director attended all of the Board meetings. It has a formal schedule of matters reserved to it for approval ensuring that it considers strategic, financial, organisational and compliance matters with timely information provided in advance of each meeting. The Board approves major acquisitions, disposals and capital expenditure projects, all financial statements and the annual budgets. All Directors receive within their Board papers details of the Group's performance against budget and individual reports from the Chief Executive, Finance Director and divisional managing directors. The Board also receives formal presentations from senior managers on a regular basis, which provides an opportunity for formal discussions with them. There is a strategy away-day to enable the full Board to focus on each division and consider the Group's opportunities, threats and operating issues.

There is a clear division of roles and responsibilities between the Chairman and the Chief Executive. The Chairman is responsible for running an effective Board and concentrating on the strategic development of the Group. The Chief Executive is responsible for implementing strategy and running the business in accordance with objectives agreed by the Board.

The Executive Committee, comprising the five Executive Directors, meets weekly to discuss operational matters. The Board is briefed on the decisions reached by the Committee including those involving risk management, health and safety issues and property transactions below a specified financial authority limit.

All Directors have access to the advice and services of the Company Secretary and also to independent legal advice. On appointment to the Board all Executive Directors receive appropriate training; all Directors receive a full induction programme covering briefings and meetings with divisional directors and senior management. The Group maintains insurance cover in respect of legal proceedings and other claims against its Directors and officers.

All Directors are subject to election by shareholders at the first opportunity following appointment and to re-election at intervals not exceeding three years. Non-executive Directors are appointed for terms of three years. Details of the Directors retiring by rotation and offering themselves for re-election this year are set out in the Directors' report on page 24.

The Board considers that all Directors bring an individual judgement to the Board's deliberations in respect of strategy, performance, resources, key appointments and standards of conduct. All Non-executive Directors are considered by the Board to be free from any business or other relationship which could interfere with the exercise of their judgement. During the year the Chairman conducted a review of the Board, its Directors and Committees through consultation with each Director and discussion with the senior independent Non-executive Director. The Non-executive Directors also met, without the Chairman being present. This was to consider the governance of the Board and the Group, including the performance of the Chairman. Each of these matters was considered to be satisfactory. Where relevant, and not in respect of their own performance, the Chairman and the Chief Executive were involved in evaluating the composition of the Board and Committees, the meeting process, information and training, leadership, effectiveness and compliance with the Combined Code. The results of the review were reported back to the Board and a number of action points concerning procedural matters have been incorporated into next year's meetings agenda. The Board is satisfied with its own composition, meeting process and minute recording, and that of its Committees. In addition, the Chairman met informally with the Non-executive Directors on a number of occasions during the year without the Executive Directors being present.

09 CORPORATE GOVERNANCE

During the period the Chairman, David Thompson, continued his appointment as executive director of Ragleth Limited (Ragleth); the controlling shareholder of Anglia Maltings (Holdings) Limited. He has no controlling interest in Ragleth and so the transactions between the Group and Ragleth are not Related Party Transactions as defined by IFRS. David Thompson has continued his appointment on the basis of Ragleth allowing him sufficient time to devote to the chairmanship of W&DB.

Board Committees

All Board Committees have agreed terms of reference which have been updated to meet the provisions of the Combined Code and are approved by the Board. They can be found on the Group's website at www.wdb.co.uk.

Nomination Committee

The structure, size and composition of the Board, together with Board appointments and re-elections are considered by the Nomination Committee which comprises David Thompson (Chairman), Miles Emley, Ralph Findlay, Lord Hodgson and Peter Lipscomb. No Director is involved in any decision regarding his own re-appointment. The Committee met five times during the period, with all Committee members attending all of the meetings, to consider re-elections and the balance of the Board and specifically during the period to discuss the appointment of a Non-executive Director. The appointment of Rosalind Cuschieri as a Non-executive Director was made without the use of external recruitment consultants. The Nomination Committee approached our external advisors to request recommendations for the position. A short-list was drawn up from those recommendations and those of the Committee members. Informal discussions and meetings then took place with the applicants, and having regard to their relative experiences and background, the Committee recommended the appointment of Rosalind Cuschieri to the Board.

Remuneration Committee

The Remuneration Committee comprises Peter Lipscomb (Chairman), Miles Emley and Lord Hodgson with Ralph Findlay in attendance if required. It is responsible for agreeing contract terms, remuneration and benefits, including bonuses, for Executive Directors and senior managers. It is also responsible for the granting of LTIP awards and share options. It met five times during the period to review pay and the performance of Directors in conjuction with bonuses and consider the granting of share based incentives. All Committee members attended all meetings.

Audit Committee

The Audit Committee comprises Miles Emley (Chairman), Lord Hodgson and Peter Lipscomb. It monitors the relationship with the external auditors, agrees their scope of work and fees and reviews the results of the full year audit and the interim results each year. It also assesses annually the cost effectiveness, objectivity and independence of the external auditors. The Committee also has responsibility for the Group's whistleblowing policy and annually reviews it's arrangements under this policy. The Board consider that both Miles Emley and Lord Hodgson have recent and relevant financial experience in accordance with the requirements of the Combined Code. The Committee met five times during the period to review the results of the full year audit, approve the interim results, consider the risks to the Group, review the performance of the external auditors and provide guidance on the internal audit strategy. During the period the Committee also received a presentation on and regular updates regarding the new reporting requirements under IFRS, providing a basis for consideration and decision making. All Committee members attended all meetings.

The Group uses the external auditors for non-audit services such as taxation advice and planning, and corporate activity. When appointing advisors for non-audit work the Group considers the value for money, experience and objectivity required and in this respect it has used other accounting firms for non-audit work. The Committee are satisfied that where the external auditors are used for non-audit services their objectivity and independence is not compromised. In reaching this conclusion the Committee considered a report prepared by PricewaterhouseCoopers LLP prior to the year end, reviewing the potential threats to their objectivity and independence in the light of the ethical standards issued by the Auditing Practices Board. Where a potential risk was identified the Committee was satisfied that the safeguards that the external auditors had put in place were sufficient to prevent a threat to their independence and objectivity.

Communication

The Group recognises the importance of maintaining a strong relationship with its shareholders as a key priority with the annual report and interim statement as the principal media used, as well as regular institutional presentations, covering reports on trading and market conditions and strategy. During the year the Chairman and the senior independent Non-executive Director offered to meet with the Company's major shareholders to discuss governance and strategy and develop an understanding of shareholder views. All shareholders also have access to the senior independent Non-executive Director if they have specific corporate governance issues which cannot be resolved through the usual channels of communication.

The Group also maintains a website, www.wdb.co.uk, to provide up to date information on its operations and brands. The Company's share price and all Company announcements are available on this site together with slides for analysts' and investor presentations.

The annual general meeting, which is regularly attended by approximately 300 shareholders, provides an important forum for communicating directly with shareholders and the opportunity for shareholders to raise questions with the Board. At the annual general meeting the Chairman announces the results of proxy voting on each resolution after it has been dealt with on a show of hands.

09 CORPORATE GOVERNANCE

Risk management

There is a weekly review by the Executive Directors, and annually by the Board, of the risks faced by the Group. These reviews cover strategic, operational and compliance risks. Day-to-day control is implemented by the divisional management teams which report to the divisional managing directors.

There is a continuous process for identifying, evaluating and managing the risks facing the Group at the weekly Executive Directors' meetings, the monthly divisional management meetings and at the monthly briefing meetings with the senior management group. Risk and litigation issues are also reviewed regularly by the Chief Executive and the Company Secretary.

The Group operates a risk management programme whereby key business risks are formally defined, reviewed, and assessed at regular intervals by the managers. This process is performed in conjunction with the Group Risk Manager and overseen by the Director of Risk and Treasury. An essential part of the process involves ensuring that all the key risks have clear ownership. Managers are required to identify the key internal controls for each of the risks they are responsible for and to identify the control owners. The risks identified are classified and recorded in a Group risk register. The results are reported to the respective divisional managing directors who in turn prioritise the key risks for their management teams. The risks identified cascade through to an assessment of the significant corporate risks which are in turn reported to the Audit Committee and the Board.

The internal audit strategy takes into account the key business risks of the Group and provides assurance to the Audit Committee on the effectiveness of the internal control environment in mitigating the risks to an acceptable level. The risk management programme provides vital information to ensure that the internal audit strategy provides sufficient coverage of the critical areas of internal control.

Internal control

The Group has complied with the Combined Code provisions on internal control. The Executive Directors examine, and report to the Board as necessary, the procedures required to implement in full the guidance on internal control produced by the Turnbull Committee. In addition, the Board has taken account of the Association of British Insurers guidelines' on socially responsible investment and in this respect the Finance Director chairs a quarterly meeting of the Group's Corporate and Social Responsibility Committee.

The Board is responsible for the Group's system of internal controls and for ensuring that information supplied to shareholders presents a balanced assessment of the Group's position. It has carried out these responsibilities throughout the year.

The principal elements of the system of internal control, which is designed to ensure there is an ongoing process to identify, evaluate and manage the risks to which the Group is exposed, include:

- a management structure which clearly defines authority levels, responsibility and accountability;
- a detailed formal budgeting process for all Group activities with the annual Group budget being formally approved by the Board; and
- a process to ensure Board approval is given to all major investment, divestment and strategic plans including capital expenditure, disposals and development programmes.

Significant treasury, cash management and investment matters are received and approved by the Board.

The internal audit function has co-ordinated on behalf of the Board an annual review of the effectiveness of all the key controls of the business. This includes a Group-wide certification that internal controls are in place and operated effectively. The internal audit function has carried out additional work on selective controls as well as aligning internal audit projects to verify the certification of effectiveness. Where weaknesses have been identified by the managers, information has also been provided on the plans to improve such controls. The results of the exercise are summarised and an overall assessment reported to the Audit Committee. The review confirmed that there is a clear link between the key risks of the business and the controls used to manage those risks. Ownership of the controls by the managers within the business is well defined and there are no significant weaknesses that require remedial actions to take place.

The Group's system of internal controls can only manage rather than eliminate the risk of failure to achieve business objectives and can, therefore, only provide reasonable and not absolute assurance against material mis-statement or loss.

Health and safety

The management of health and safety matters is based on the Health and Safety Executives' management system HSG 65. All areas of the Group have been risk assessed and appropriate control measures implemented. Regular Safety Committee meetings are held throughout the Group and independent experts such as the Royal Society for the Prevention of Accidents (ROSPA) and insurers are used.

Auditors

PricewaterhouseCoopers LLP have expressed their willingness to be re-appointed as independent Auditors of the Group.

09 CORPORATE GOVERNANCE

Going concern
The Directors are confident, having reviewed the Group's budget for the 52 weeks to 29 September 2007 and relevant plans beyond that date, that the Group and the Company have adequate resources to continue in operation for the foreseeable future. This review included an analysis of business operating plans, proposed capital expenditure and associated cash flow projections. It also included a comparison of results and ratios within the Group's committed borrowing facilities. It is therefore considered appropriate to adopt the going concern basis in preparing the financial statements.

By Order of the Board

Anne-Marie Brennan
Secretary
1 December 2006

10

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the Group financial statements comply with IFRS's as adopted by the European Union, and with regard to the parent company financial statements whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors consider that they have complied fully with the above requirements in preparing the financial statements on pages 42 to 77 and pages 81 to 88.

The Directors are also responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and the Group, and to enable them to ensure that financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The maintenance and integrity of the Group's website is the responsibility of the Directors; the work carried out by the Auditors does not involve consideration of these matters and, accordingly, the Auditors accept no responsibility for any changes that may have occurred to the financial statements, since they were initially presented on the website.

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

Anne-Marie Brennan
Secretary
1 December 2006


MARSTON'S
Pedigree

GROUP ACCOUNTS

11 FIVE YEAR RECORD

	2002 UK GAAP £m	2003 UK GAAP £m	2004 UK GAAP £m	2005 IFRS £m	**2006 IFRS £m**
Revenue - Continuing operations	505.6	490.5	513.7	556.1	**595.5**
Profit before goodwill and exceptional items	74.0	73.1	77.7	89.7	**101.5**
Exceptional items	(8.1)	(6.6)	(0.5)	(35.5)	**–**
Goodwill amortisation	(7.2)	(6.9)	(7.0)	–	**–**
Profit before taxation	58.7	59.6	70.2	54.2	**101.5**
Taxation	(17.0)	(21.1)	(21.8)	(15.1)	**(28.2)**
Profit after taxation	41.7	38.5	48.4	39.1	**73.3**
Capital employed	445.2	457.7	648.3	650.8	**653.2**
Earnings per ordinary share	50.2p	53.0p	66.7p	51.9p	**95.1p**
Goodwill and exceptional items	12.4p	15.9p	9.1p	31.5p	**–**
Earnings per ordinary share before goodwill and exceptional items	62.6p	68.9p	75.8p	83.4p	**95.1p**
Dividend per ordinary share	29.2p	32.1p	35.3p	38.9p	**42.8p**
Retail price index	100.0	102.8	105.9	108.7	**112.7**
Earnings per share growth	100.0	105.6	132.9	103.4	**189.4**
Earnings per share growth before goodwill and exceptional items	100.0	110.1	121.1	133.2	**151.9**
Dividend growth	100.0	110.0	120.9	133.2	**146.6**

Dividend per ordinary share and dividend growth presented above exclude the special dividend of 80.0p per ordinary share in 2002.

Earnings per share growth is distorted by the transition from UK GAAP to IFRS but has been presented for completeness.

12 INDEPENDENT AUDITORS' REPORT

We have audited the Group financial statements of The Wolverhampton & Dudley Breweries, PLC for the period ended 30 September 2006 which comprise the Group income statement, the Group balance sheet, the Group cash flow statement, the Group statement of recognised income and expense and the related notes. These Group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of The Wolverhampton & Dudley Breweries, PLC for the period ended 30 September 2006 and on the information in the Directors' remuneration report that is described as having been audited.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the annual report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the Group financial statements give a true and fair view and whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We report to you whether in our opinion the information given in the Directors' report is consistent with the Group financial statements. The information given in the Chairman's statement, the Chief Executive's review and the Financial review includes that specific information that is specifically referred to in the Business review section of the Directors' report. We also report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Corporate governance statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the annual report and consider whether it is consistent with the audited Group financial statements. The other information comprises only the Chairman's statement, the Chief Executive's review, the Financial review, the Directors' report, the Corporate governance statement, the Corporate and social responsibility report and the non-auditable part of the Directors' remuneration report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Group financial statements.

Opinion

In our opinion:

- The Group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Group's affairs as at 30 September 2006 and of its profit and cash flows for the period then ended;
- The Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- The information given in the Directors' report is consistent with the Group financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham
1 December 2006

13 INCOME STATEMENT

FOR THE 52 WEEKS ENDED 30 SEPTEMBER 2006

	Notes	2006 Before exceptional items £m	2006 Exceptional items £m	2006 Total £m	2005 Before exceptional items £m	2005 Exceptional items £m	2005 Total £m
Revenue	2	**595.5**	**–**	**595.5**	556.1	–	556.1
Operating expenses	3,4	**(443.2)**	**–**	**(443.2)**	(418.5)	(2.8)	(421.3)
Operating profit	2	**152.3**	**–**	**152.3**	137.6	(2.8)	134.8
Finance costs							
- Excluding retirement benefits		**(51.7)**	**–**	**(51.7)**	(45.5)	(32.7)	(78.2)
- Retirement benefits		**(0.4)**	**–**	**(0.4)**	(2.6)	–	(2.6)
		(52.1)	**–**	**(52.1)**	(48.1)	(32.7)	(80.8)
Finance income		**1.3**	**–**	**1.3**	0.2	–	0.2
Net finance costs	6	**(50.8)**	**–**	**(50.8)**	(47.9)	(32.7)	(80.6)
Profit before taxation		**101.5**	**–**	**101.5**	89.7	(35.5)	54.2
Taxation	7	**(28.2)**	**–**	**(28.2)**	(26.8)	11.7	(15.1)
Profit for the period attributable to equity shareholders	28	**73.3**	**–**	**73.3**	62.9	(23.8)	39.1

All results relate to continuing operations.

	Notes	2006	2005
Earnings per share:			
Basic earnings per share	9	**95.1p**	51.9p
Basic earnings per share before exceptional items	9	**95.1p**	83.4p
Diluted earnings per share	9	**94.1p**	51.2p
Diluted earnings per share before exceptional items	9	**94.1p**	82.4p

14 STATEMENT OF RECOGNISED INCOME AND EXPENSE

FOR THE 52 WEEKS ENDED 30 SEPTEMBER 2006

	Notes	2006 £m	2005 £m
Profit for the period		**73.3**	39.1
Income/(expense) recognised directly in equity			
Cash flow hedges	28	**0.3**	–
Pension actuarial losses	25	**(18.0)**	(3.0)
Unrealised (deficit)/surplus on revaluation of properties	28	**(3.7)**	5.8
Tax on items taken directly to equity	7, 28	**10.3**	1.4
Net (losses)/gains not recognised in the income statement		**(11.1)**	4.2
Total recognised income for the period		**62.2**	43.3
Effect of change in accounting policy: implementation of IAS 32 and IAS 39	28	**(10.6)**	–

15 CASH FLOW STATEMENT

FOR THE 52 WEEKS ENDED 30 SEPTEMBER 2006

	Notes	2006 £m	2005 £m
Operating activities			
Operating profit		**152.3**	134.8
Depreciation and amortisation		**39.1**	38.2
EBITDA*		**191.4**	173.0
Working capital and non-cash movements	29	**2.6**	(53.9)
Income tax paid		**(4.0)**	(19.9)
Net cash inflow from operating activities		**190.0**	99.2
Investing activities			
Interest received		**1.6**	0.5
Sale of property, plant and equipment		**36.8**	14.8
Investment in plant and equipment for existing business		**(71.0)**	(63.9)
Purchase of new pubs/site developments		**(28.1)**	(34.2)
Movements in non-current assets		**(2.0)**	5.8
Acquisition of subsidiaries, net of cash acquired		**(22.4)**	(140.1)
Repayment of debt of subsidiary upon acquisition		**(13.7)**	–
Movement in available-for-sale investments		**(31.8)**	–
Net cash outflow from investing activities		**(130.6)**	(217.1)
Financing activities			
Equity dividends paid		**(31.0)**	(27.8)
Issue of shares		**2.6**	2.6
Sale of own shares by share trust		**0.9**	0.3
Purchase of treasury shares		**(14.8)**	–
Purchase of own shares for Long Term Incentive Plan		**(6.6)**	–
Interest paid		**(47.5)**	(50.2)
Arrangement costs of new bank facilities		**–**	(1.8)
(Repayment)/advance of securitised debt		**(10.1)**	805.0
Issue costs paid on securitised debt		**(0.7)**	(12.5)
Advance of loans		**43.0**	369.1
Repayment of loans		**(14.2)**	(650.3)
Settlement of debentures		**–**	(287.9)
Repayment of loan notes		**(0.8)**	(0.1)
Capital element of finance leases repaid		**(0.1)**	(0.1)
Net cash (outflow)/inflow from financing activities		**(79.3)**	146.3
Net (decrease)/increase in cash and cash equivalents	30	**(19.9)**	28.4
Reconciliation of net cash flow to movement in net debt			
(Decrease)/increase in cash and cash equivalents in the period	30	**(19.9)**	28.4
Increase in available-for-sale investments		**31.8**	–
Cash inflow from increase in debt		**(17.8)**	(278.6)
Change in debt resulting from cash flows	30	**(5.9)**	(250.2)
Net debt acquired with subsidiaries	30	**(14.2)**	(65.9)
Non-cash movements	30	**(1.8)**	4.8
Movement in net debt in the period		**(21.9)**	(311.3)
Net debt at beginning of period	30	**(871.8)**	(560.5)
Net debt at end of period	30	**(893.7)**	(871.8)

* EBITDA - Earnings before interest, tax, depreciation and amortisation

16 BALANCE SHEET

AS AT 30 SEPTEMBER 2006

	Notes	2006 £m	2005 £m
Assets			
Non-current assets			
Intangible assets	10	**5.5**	3.9
Goodwill	11	**148.3**	131.0
Property, plant and equipment	12	**1,584.0**	1,551.0
Deferred tax assets	22	**48.9**	43.4
Other non-current assets	13	**23.1**	22.1
		1,809.8	1,751.4
Current assets			
Inventories	14	**12.8**	13.6
Assets held for sale	15	**26.2**	–
Trade and other receivables	16	**50.6**	54.0
Current tax assets		**–**	5.9
Financial assets: available-for-sale investments	17	**31.8**	–
Cash and cash equivalents		**39.8**	76.1
		161.2	149.6
Liabilities			
Current liabilities			
Borrowings	18	**(38.6)**	(53.8)
Derivative financial instruments	20	**(0.5)**	–
Trade and other payables	21	**(108.1)**	(91.5)
Current tax liabilities		**(11.2)**	–
		(158.4)	(145.3)
Non-current liabilities			
Borrowings	18	**(926.7)**	(894.1)
Derivative financial instruments	20	**(14.3)**	(0.9)
Pension commitments	25	**(53.1)**	(45.6)
Deferred tax liabilities	22	**(162.6)**	(161.3)
Other non-current liabilities	23	**(0.7)**	(0.8)
Provisions	24	**(2.0)**	(2.2)
		(1,159.4)	(1,104.9)
Net assets		**653.2**	650.8
Shareholders' equity			
Equity share capital	27	**23.0**	22.8
Share premium account	27	**187.5**	185.1
Merger reserve	28	**41.5**	41.5
Revaluation reserve	28	**311.2**	311.2
Capital redemption reserve	28	**6.0**	6.0
Hedging reserve	28	**(10.4)**	–
Own shares	28	**(21.5)**	(1.0)
Retained earnings	28	**115.9**	83.2
Shareholders' equity		**653.2**	648.8
Minority interest in equity	34	**–**	2.0
Total equity		**653.2**	650.8

The financial statements on pages 42 to 77 were approved by the Board on 1 December 2006 and signed on its behalf by:

Ralph Findlay
Chief Executive
1 December 2006

17 NOTES

1 ACCOUNTING POLICIES

Basis of preparation
These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC) interpretations adopted by the European Union and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention as modified by the revaluation of land and buildings and derivative financial instruments.

IFRS 7 'Financial instruments: disclosures' will be mandatory for the Group in the period ending 27 September 2008. This will require the Group to amend certain disclosures in relation to its financial instruments, but will have no impact on the results presented.

The Group does not consider that any other standards or interpretations issued by the International Accounting Standards Board (IASB), but not yet applicable, will have a significant impact on the financial statements.

Prior period consolidated financial statements were prepared in accordance with UK generally accepted accounting practice (UK GAAP). Comparative figures have been restated to comply with IFRS and details of the restatement are included in note 39.

Basis of consolidation
The consolidated financial statements incorporate the audited financial statements of The Wolverhampton & Dudley Breweries, PLC and all of its subsidiary undertakings. The results of new subsidiary undertakings are included in the Group accounts from the date on which control transferred to the Group or, in the case of disposals, up to the effective date of disposal. Transactions between Group companies are eliminated on consolidation.

The Group has applied the purchase method in its accounting for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the consideration, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share of the net assets of the subsidiary acquired, the difference is recognised immediately in the income statement.

The consolidated financial statements also incorporate the results of W&DB Issuer PLC, a company set up with the sole purpose of issuing debt secured on assets owned by the Group. The Directors consider this company meets the definition of a special purpose entity under SIC 12 'Consolidation – special purpose entities' and hence for the purpose of the consolidated financial statements it has been equity accounted for. Details of this company are provided in note 35.

Changes in accounting policies
The Group indicated in its IFRS adoption statement released on 28 March 2006 that actuarial gains and losses arising in relation to the Group's defined benefit pension scheme would be accounted for using the 'corridor' method, whereby such gains and losses are recognised in the income statement over the expected average remaining working lives of employees only to the extent that their net cumulative amount exceeds 10% of the greater of the present value of the pension obligation and the fair value of the plan assets at the end of the previous period.

Following a review of IFRS accounting policies by the Directors, and in light of the practice adopted by the industry, the Group has accounted for its defined benefit pension scheme in accordance with the Amendment to IAS 19 'Employee Benefits', which permits the recognition of actuarial gains and losses in full in the period in which they occur in the statement of recognised income and expense.

First time adoption of IFRS
IFRS 1 'First time adoption of International Financial Reporting Standards' permits entities adopting IFRS for the first time to take certain exemptions from the full requirements of IFRS in the transition period. The following key exemptions have been taken by the Group:

- The carrying value of property, plant and equipment revalued in the period ended 2 October 2004 has been deemed to be the cost at the date of transition.
- Comparative figures have not been adjusted to take account of IAS 32 'Financial instruments: presentation' and IAS 39 'Financial instruments: recognition and measurement'. These standards have been applied prospectively from 2 October 2005 and hence financial instruments for the comparative period have been presented in accordance with UK GAAP. The comparatives that would have been presented had IAS 32 and IAS 39 been applied are disclosed in note 20.
- The Group has applied IFRS 2 'Share-based payment' only to equity settled awards that were granted after 7 November 2002.
- Business combinations prior to the Group's IFRS transition date (2 October 2004) have not been restated in accordance with the the requirements of IFRS 3 'Business combinations'.
- IFRS 5 'Non-current assets held for sale and discontinued operations' has been adopted with effect from 2 October 2005 and has not been applied retrospectively.

Revenue and other operating income
Revenue represents the value of goods and services supplied to customers, and rents receivable from licensed properties. Revenue for drink, food and accommodation is recognised at the point at which the goods or services are provided. Gaming machine income is recognised as earned. Rental income is recognised in respect of the period to which it relates. Revenue is recorded net of discounts, intra-Group transactions, VAT, and excise duty relating to the brewing and packaging of certain products. Other operating income comprises mainly rents from unlicensed properties.

17 NOTES

1 ACCOUNTING POLICIES (CONTINUED)

Segmental reporting
For primary segment reporting purposes the Group is considered to have four distinguishable business segments, being Pathfinder Pubs, The Union Pub Company, WDB Brands and Central. This mirrors the Group's internal organisation and management structure, and reflects the different risk profiles to which the business is exposed. An element of Central costs is allocated to each of the trading divisions.

Exceptional items
Exceptional items are defined as those that are both significant and non-recurring, whose significance is sufficient to warrant separate disclosure in the financial statements.

Intangible assets
Intangible assets are carried at cost less accumulated amortisation and any impairment losses. Intangible assets arising on acquisition of subsidiaries are recognised separately from goodwill if the fair value of these assets can be identified separately and measured reliably.

Amortisation is calculated on a straight line basis over the estimated useful life of the intangible asset. Where the useful life of the asset is considered to be indefinite no annual amortisation is provided but the asset is subject to annual impairment reviews. Impairment reviews are carried out more frequently if events or changes in circumstances indicate that the carrying value of an asset may be impaired.

The useful lives of the Group's intangible assets are:

Computer software	5 years
Brands	Indefinite

Any impairment of carrying value is charged to the income statement.

Goodwill
Goodwill arising on acquisition is capitalised and represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets and liabilities acquired. Goodwill is not amortised but is instead reviewed for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Any impairment is recognised immediately in the income statement.

Property, plant and equipment
- Freehold and leasehold properties are stated at valuation or at cost. Plant, furnishings, equipment and other similar items are stated at cost.
- Depreciation is charged to the income statement on a straight-line basis to provide for the cost of the assets less residual value over their useful lives.
- Freehold and long leasehold buildings are depreciated to residual value over 50 years.
- Short leasehold properties are depreciated over the life of the lease.
- Other plant and equipment is depreciated over periods ranging from 3 to 15 years.
- Own labour directly attributable to capital projects is capitalised.
- Land is not depreciated.

Valuation of properties - Properties are revalued by qualified valuers on a regular basis using open market value so that the carrying value of an asset does not differ significantly from its fair value at the balance sheet date. When a valuation is below current carrying value, the asset concerned is reviewed for impairment. Impairment losses are charged to the revaluation reserve to the extent that a previous gain has been recorded, and thereafter to the income statement. Surpluses on revaluation are recognised in the revaluation reserve, except where they reverse previously charged impairment losses, in which case they are recorded in the income statement.

Disposals of property, plant and equipment
Profit/loss on disposal of property, plant and equipment represents net sale proceeds less the carrying value of the assets. Any element of the revaluation reserve relating to the property, plant and equipment disposed of is transferred to retained earnings at the date of sale.

Impairment
If there are indications of impairment or reversal of impairment, an assessment is made of the recoverable amount. An impairment loss is recognised where the recoverable amount is lower than the carrying value of assets including goodwill. 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 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. The reversal is recognised in the income statement. The depreciation charge is adjusted in future periods to allocate the asset's revised carrying value, less any residual value, on a systematic basis over its remaining useful life. There is no reversal of impairment losses relating to goodwill.

Leases
Leases are classified as finance leases if the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

17 NOTES

1 ACCOUNTING POLICIES (CONTINUED)

The cost of the assets held under finance leases is included within property, plant and equipment and depreciation is charged in accordance with the accounting policy for each class of asset concerned. The corresponding capital obligations under these leases are shown as liabilities. The finance charge element of rentals is charged to the income statement and classified within finance costs as incurred.

Rental costs under operating leases, including lease incentives, are charged to the income statement on a straight line basis over the term of the lease.

Other non-current assets
Other non-current assets represent trade loans and premiums paid on the acquisition of operating leases.

In common with other major brewers the Group makes trade loans to publicans who purchase the Group's beer. These trade loans are classified as financial instruments held for trading and are recognised initially at cost. Subsequently trade loans are measured at fair value, being amounts advanced less deemed impairment. Income and expenses are recognised in the income statement for the period.

Payments made on entering into or acquiring leaseholds that are accounted for as operating leases represent prepaid lease payments and hence are classified as non-current assets. These are amortised on a straight line basis over the lease term.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost includes direct materials and a proportion of attributable overheads.

Assets held for sale
Assets, typically properties, are categorised as held for sale when the value of the asset will be recovered through a sale transaction rather than continuing use. This condition is met when the sale is highly probable and the asset is available for immediate sale in its present condition. In addition, the Group must be committed to the sale and the completion should be expected to occur within one year from the date of classification. Assets held for sale are valued at the lower of carrying value and fair value less costs to sell, and are no longer depreciated.

Financial assets: available-for-sale investments
Cash invested in short-term investment funds, for which there are no withdrawal penalties and the maturity dates are in excess of 90 days, are treated as financial assets, rather than a cash equivalent, as required by IAS 7 'Cash flow statements'.

Cash and cash equivalents
Cash and cash equivalents include cash in hand and deposits on call with banks. Bank overdrafts are shown within borrowings in current liabilities. For the purpose of the cash flow statement, cash and cash equivalents are as defined above, net of outstanding bank overdrafts.

Borrowings and borrowing costs
All loans and borrowings are stated initially at the fair value of the consideration received net of issue costs. Issue costs are charged to the income statement over the term of the borrowings at a constant rate on the carrying amount.

Borrowings are subsequently stated at amortised cost. Interest is charged to the income statement in the period in which it is incurred.

Preference shares are treated as borrowings, and dividends payable on those preference shares are charged as interest in the income statement.

Financial instruments
The Group's treasury policy is set out in note 20 to the financial statements.

Derivative financial instruments - The Group uses derivative financial instruments to hedge its exposure to fluctuations in interest rates. Derivative financial instruments are recognised in the balance sheet at fair value. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are charged or credited to the income statement in the period in which they arise.

The Group seeks to achieve hedge accounting to mitigate the impact on the Group of changes in interest rates on the floating rate tranche of securitised loan notes by matching the impact with a fixed rate interest swap in the income statement. This is recognised as a cash flow hedge.

To qualify for hedge accounting, the hedging relationship must meet several conditions with respect to documentation, probability of occurrence, hedge effectiveness and reliability of measurement. At the inception of the transaction the Group documents the relationship between the hedging instrument and the hedged item, as well as the Group's risk management objective and strategy for undertaking the hedge transaction. This process includes linking all derivative financial instruments designated as hedges to specific liabilities. The Group also documents its assessment, both at the hedge inception and on a regular basis, as to whether the hedging transaction has been, and is likely to continue to be, highly effective at offsetting changes in cash flows.

The effective part of the changes in fair value of cash flow hedges is recognised in equity, whilst any ineffective part is recognised immediately in the income statement.

17 NOTES

1 ACCOUNTING POLICIES (CONTINUED)

Under the transitional rules of IFRS 1, IAS 32 and IAS 39 are not applied to comparative balances, and hence the comparatives are presented in accordance with UK GAAP. Under UK GAAP there is no requirement to recognise the fair value of derivative financial instruments in the balance sheet.

Trade receivables - Trade receivables are measured at initial recognition, do not carry any interest and are stated at their fair value. They are subsequently measured at amortised cost using the effective interest rate method, and recorded net of provision for impairment.

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

Employee benefits
Pension costs for the Group's defined benefit post-retirement plan are determined by the Projected Unit Credit Method, with actuarial calculations being carried out at each period end date.

Costs are recognised separately as operating and financing costs in the income statement. Operating costs comprise the current service cost, any income or expenses on settlements or curtailments, and past service costs where the benefits have vested. Finance items comprise the interest on plan liabilities and the expected return on plan assets.

Actuarial gains or losses comprising differences between the actual and expected return on plan assets, changes in plan liabilities due to experience and changes in actuarial assumptions are recognised in full in the period in which they occur in the statement of recognised income and expense.

The liability recognised in the balance sheet for the defined benefit post-retirement plan is the present value of scheme liabilities less the fair value of scheme assets.

Pension costs for the Group's defined contribution post-retirement plan are charged to the income statement in the period in which they arise.

Post-retirement medical benefits are accounted for in an identical way to the Group's defined benefit post-retirement plan.

Key management personnel are those who have authority and responsibility for planning, directing and controlling the activities of the Group. In the case of The Wolverhampton & Dudley Breweries, PLC the only key management personnel are considered to be the Directors of the Group.

Deferred tax
Deferred tax is provided in full, using the liability method, on all differences that have originated but not reversed by the balance sheet date which give rise to an obligation to pay more or less tax in the future. Differences are defined as the differences between the carrying value of assets and liabilities and their tax base.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the differences can be utilised.

Deferred tax is calculated using tax rates that are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Provisions
Provisions are recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

When valuations of leasehold properties (based on future estimated income streams) give rise to a deficit as a result of onerous lease conditions they are recognised as provisions. Such provisions are not discounted as the Directors consider the discounted amounts would not be materially different from the amounts recognised.

Share-based payments
The fair value of share-based remuneration at the date of grant is calculated using the Black-Scholes option-pricing model and charged to the income statement on a straight-line basis over the vesting period of the award. The charge to the income statement takes account of the estimated number of shares that will vest.

The Group has taken advantage of the transitional provisions contained within IFRS 2 and has only applied this accounting policy to equity-settled awards granted after 7 November 2002. Awards granted prior to 7 November 2002 are not charged against profits.

Own shares
Own shares consist of treasury shares, shares held within a Long Term Incentive Plan (LTIP) and shares held within an Employee Share Ownership Plan (ESOP), which is used for the granting of shares to applicable employees.

17 NOTES

1 ACCOUNTING POLICIES (CONTINUED)

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 and the original cost being taken to equity. No income or expense is recognised in the performance statements on treasury share transactions.

Dividends
Dividends proposed by the Board but unpaid at the period end are recognised in the financial statements when they have been approved by the shareholders. Interim dividends are recognised when paid.

Key assumptions and significant judgements
IFRS requires the Group to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions that are considered to be significant are:

Impairment of goodwill - Goodwill is tested for impairment on an annual basis. The recoverable amounts of the goodwill allocated to the Group's primary segments are calculated by estimating long-term growth rates and discount rates, based on historic trends adjusted for management's estimates of future prospects. Full details of these estimates are provided in note 11 to the financial statements.

Pension liabilities - The present value of the Group's defined benefit pension scheme liabilities is determined by qualified actuaries, using a number of assumptions. The principal assumptions adopted are set out in note 25 to the financial statements.

Residual values - Residual values are reassessed annually based on prevailing market prices, and adjusted if appropriate.

2 SEGMENTAL REPORTING

Primary reporting format – business segments
The Group has four business segments:

Period ended 30 September 2006	**Pathfinder Pubs** £m	**The Union Pub Company** £m	**WDB Brands** £m	**Central** £m	**Group** £m
Income statement					
Revenue	330.7	178.8	131.2	–	640.7
Less: sales to other segments	–	–	(45.2)	–	(45.2)
	330.7	178.8	86.0	–	595.5
Operating expenses	(267.2)	(98.5)	(68.0)	(9.5)	(443.2)
Operating profit before exceptional items	63.5	80.3	18.0	(9.5)	152.3
Exceptional items	–	–	–	–	–
Operating profit after exceptional items	63.5	80.3	18.0	(9.5)	152.3
Finance costs					(52.1)
Finance income					1.3
Profit before taxation					101.5
Taxation					(28.2)
Profit for the period attributable to equity shareholders					**73.3**
Balance sheet					
Segment assets	707.3	927.2	137.7	78.3	1,850.5
Unallocated assets					
Deferred tax assets					48.9
Financial assets: available-for-sale investments					31.8
Group cash					39.8
Total assets					**1,971.0**
Segment liabilities	(26.7)	(21.9)	(35.2)	(27.0)	(110.8)
Unallocated liabilities					
Group borrowings					(965.3)
Current tax liabilities					(11.2)
Pension commitments					(53.1)
Deferred tax liabilities					(162.6)
Derivative financial instruments					(14.8)
Total liabilities					**(1,317.8)**

17 NOTES

2 SEGMENTAL REPORTING (CONTINUED)

Period ended 30 September 2006	Pathfinder Pubs £m	The Union Pub Company £m	WDB Brands £m	Central £m	Group £m
Other segmental information					
Capital expenditure					
Intangible fixed assets	0.9	–	–	0.3	1.2
Property, plant and equipment	59.7	27.2	8.5	2.3	97.7
Depreciation of property, plant and equipment	19.6	9.5	7.0	2.5	38.6
Amortisation of intangible fixed assets	0.3	–	–	0.2	0.5

Included in the above are revenue of £5.9m, operating expenses of £4.4m and operating profit of £1.5m in relation to Celtic Inns (note 32) which have not been separately analysed.

Period ended 1 October 2005	Pathfinder Pubs £m	The Union Pub Company £m	WDB Brands £m	Central £m	Group £m
Income statement					
Revenue	317.4	153.3	124.9	–	595.6
Less: sales to other segments	–	–	(39.5)	–	(39.5)
	317.4	153.3	85.4	–	556.1
Operating expenses	(254.1)	(88.2)	(67.6)	(8.6)	(418.5)
Operating profit before exceptional items	63.3	65.1	17.8	(8.6)	137.6
Exceptional items	–	(0.6)	(1.3)	(0.9)	(2.8)
Operating profit after exceptional items	63.3	64.5	16.5	(9.5)	134.8
Finance costs					(80.8)
Finance income					0.2
Profit before taxation					54.2
Taxation					(15.1)
Profit for the period attributable to equity shareholders					**39.1**
Balance sheet					
Segment assets	754.1	791.9	125.1	104.5	1,775.6
Unallocated assets					
Deferred tax assets					43.4
Group cash					76.1
Current tax assets					5.9
Total assets					**1,901.0**
Segment liabilities	(26.8)	(21.4)	(13.2)	(33.1)	(94.5)
Unallocated liabilities					
Group borrowings					(947.9)
Pension commitments					(45.6)
Deferred tax liabilities					(161.3)
Derivative financial instruments					(0.9)
Total liabilities					**(1,250.2)**
Other segmental information					
Capital expenditure					
Intangible fixed assets	0.5	–	–	0.7	1.2
Property, plant and equipment	55.8	26.2	11.5	1.1	94.6
Depreciation of property, plant and equipment	19.5	9.3	6.5	2.4	37.7
Amortisation of intangible fixed assets	0.2	–	–	0.3	0.5
Impairment of goodwill	0.5	0.2	0.4	–	1.1

Secondary reporting format – geographical segments
All of the Group's operations and customers are based in the United Kingdom.

17 NOTES

3 OPERATING EXPENSES

	2006 £m	2005 £m
Change in stocks of finished goods and work in progress	**0.5**	1.1
Own work capitalised	**(0.6)**	(0.3)
Other operating income	**(4.8)**	(3.7)
Raw materials, consumables and excise duties	**190.4**	176.5
Depreciation of property, plant and equipment	**38.6**	37.7
Amortisation of intangible fixed assets	**0.5**	0.5
Employee costs	**126.8**	123.5
Hire of plant and machinery	**1.3**	1.9
Other operating lease rentals	**8.0**	8.2
Other operating charges	**84.2**	78.1
Income from other non-current assets	**(0.4)**	(0.3)
Impairment of property, plant and equipment following revaluation	**–**	1.0
Impairment of properties prior to transfer to assets held for sale	**3.8**	–
Profit on disposal of property, plant and equipment	**(5.1)**	(4.0)
Goodwill impairment following disposals of property, plant and equipment	**–**	1.1
	443.2	421.3

Exceptional reorganisation costs of £nil (2005: £0.4m) are included in other operating charges and £nil (2005: £4.3m) within employee costs.

	2006 £m	2005 £m
Fees paid to PricewaterhouseCoopers LLP:		
Statutory audit fees	**0.3**	0.2
Tax advisory services	**0.2**	0.2
Corporate finance advisory services	**–**	0.5
Due diligence services	**0.2**	0.3
Advisory and reporting services in respect of the issuance of securitised debt	**–**	1.0
	0.7	2.2

Due diligence services of £0.1m (2005: £0.3m) were capitalised within acquisition fees and £nil (2005: £1.0m) of advisory and reporting services in respect of the issuance of securitised debt were treated as deferred issue costs.

4 EXCEPTIONAL ITEMS

	2006 £m	2005 £m
Operating items		
Property:		
Profit on disposal of property, plant and equipment	**–**	(4.0)
Impairment of property, plant and equipment following revaluation	**–**	1.0
	–	(3.0)
Other:		
Costs of reorganisation of newly acquired subsidiaries	**–**	4.7
Goodwill impairment following disposals of property, plant and equipment	**–**	1.1
	–	5.8
	–	2.8
Non-operating items		
Finance costs:		
Write off of unamortised finance cost following refinancing	**–**	4.3
Premium on redemption of debentures	**–**	28.4
	–	32.7

17 NOTES

5 EMPLOYEES

Staff costs	2006 £m	2005 £m
Wages and salaries	**112.6**	110.6
Social security costs	**8.8**	8.5
Pension costs	**4.4**	3.5
Share-based payment costs	**1.0**	0.9
	126.8	123.5

Staff costs include £nil (2005: £4.3m) which were classified as exceptional items.

Key management personnel
Directors' emoluments are set out in the Directors' remuneration report on pages 27 to 33. The total Directors' remuneration for the period was £2.0m (2005: £2.4m), inclusive of employers' national insurance of £0.3m (2005: £0.2m).

Average number of employees		
Full-time	**5,021**	4,790
Part-time	**7,476**	6,981

6 FINANCE COSTS AND INCOME

Finance costs	2006 £m	2005 £m
Bank interest payable	**7.5**	24.6
Securitised debt/debenture interest payable	**42.5**	21.1
Unwinding of premium	**–**	(1.8)
Other interest payable	**0.6**	0.6
Amortisation of issue costs on securitised debt	**0.9**	0.2
Amortisation of issue costs on bank loan	**0.2**	0.8
Exceptional charges following debt refinancing	**–**	32.7
Net finance expense in respect of retirement benefits	**0.4**	2.6
	52.1	80.8
Finance income		
Deposit and other interest receivable	**(1.3)**	(0.2)
Net finance costs	**50.8**	80.6

7 TAXATION

Income statement	2006 £m	2005 £m
Current tax		
Current period	**22.9**	3.5
Adjustment in respect of prior periods	**(0.5)**	(1.5)
	22.4	2.0
Deferred tax		
Current period	**6.1**	12.8
Adjustment in respect of prior periods	**(0.3)**	0.3
	5.8	13.1
Taxation charge reported in the income statement	**28.2**	15.1

Statement of recognised income and expense	2006 £m	2005 £m
Loss on actuarial valuation of pension liability	**(5.4)**	(0.9)
Revaluation of properties	**(5.0)**	(0.5)
Net gain on revaluation of cash flow hedges	**0.1**	–
Taxation credit reported in the statement of recognised income and expense	**(10.3)**	(1.4)

17 NOTES

7 TAXATION (CONTINUED)

The actual tax rate for the period is lower (2005: lower) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

Tax reconciliation	2006 £m	2005 £m
Profit before tax	**101.5**	54.2
Profit before tax multiplied by the UK corporation tax rate of 30% (2005: 30%)	**30.4**	16.3
Effects of:		
Adjustments to tax in respect of prior periods	**(0.8)**	(1.2)
Net deferred tax credit in respect of land and buildings	**(1.8)**	(1.2)
Costs not deductible for tax purposes	**0.4**	1.2
Current year taxation charge	**28.2**	15.1

8 ORDINARY DIVIDENDS ON EQUITY SHARES

Paid in the period	2006 £m	2005 £m
Final dividend for 2005 of 25.66p per share (2004: 23.32p)	**19.8**	16.9
Interim dividend for 2006 of 14.52p per share (2005: 13.20p)	**11.2**	10.1
	31.0	27.0

A final dividend for 2006 of 28.23p per share amounting to £21.8m has been proposed for approval at the annual general meeting, but has not been reflected in the financial statements. This dividend will be paid on 31 January 2007 to those shareholders on the register at close of business on 29 December 2006.

9 EARNINGS PER ORDINARY SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity shareholders by the weighted average number of ordinary shares in issue during the period, excluding treasury shares and those held in the Employee Share Ownership Plan and the Long Term Incentive Plan which are treated as cancelled.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. These represent share options granted to employees where the exercise price is less than the weighted average market price of the Company's shares during the period.

Underlying earnings per share figures are presented to exclude the effect of exceptional items. The Directors consider that the supplementary figures are a useful indicator of performance.

	2006			2005		
	Earnings £m	Weighted average number of shares m	Per share amount p	Earnings £m	Weighted average number of shares m	Per share amount p
Basic earnings per share	**73.3**	**77.1**	**95.1**	39.1	75.4	51.9
Effect of dilutive options	**–**	**0.8**	**–**	–	0.9	–
Diluted earnings per share	**73.3**	**77.9**	**94.1**	39.1	76.3	51.2
Underlying earnings per share figures						
Basic earnings per share	**73.3**	**77.1**	**95.1**	39.1	75.4	51.9
Effect of exceptional items	**–**		**–**	23.8		31.5
Basic earnings per share before exceptional items	**73.3**	**77.1**	**95.1**	62.9	75.4	83.4
Diluted earnings per share	**73.3**	**77.9**	**94.1**	39.1	76.3	51.2
Effect of exceptional items	**–**		**–**	23.8		31.2
Diluted earnings per share before exceptional items	**73.3**	**77.9**	**94.1**	62.9	76.3	82.4

17 NOTES

10 INTANGIBLE ASSETS

	Brands £m	Lease premiums £m	Computer software £m	Total £m
Cost				
At 2 October 2005	2.8	–	1.9	4.7
Additions	–	–	1.2	1.2
Acquisitions	–	0.9	–	0.9
Disposals	–	–	(0.8)	(0.8)
At 30 September 2006	2.8	0.9	2.3	6.0
Amortisation				
At 2 October 2005	–	–	0.8	0.8
Charged during the period	–	–	0.5	0.5
Disposals	–	–	(0.8)	(0.8)
At 30 September 2006	–	–	0.5	0.5
Net book amount at 1 October 2005	2.8	–	1.1	3.9
Net book amount at 30 September 2006	**2.8**	**0.9**	**1.8**	**5.5**

The Jennings brand was initially recognised at its fair value on acquisition in 2005. Given the long history of the Jennings business and its established place in the local and national beer market, the useful life of the brand is considered by the Directors to be indefinite and no annual amortisation is provided. The carrying value of the brand of £2.8m is subject to an annual impairment review. No impairment was identified during the current period as a result of this review.

Lease premiums classified as intangible assets are those acquired with Celtic Inns (note 32).

	Brands £m	Computer software £m	Total £m
Cost			
At 3 October 2004	–	2.3	2.3
Additions	–	1.2	1.2
Acquisitions	2.8	–	2.8
Disposals	–	(1.6)	(1.6)
At 1 October 2005	2.8	1.9	4.7
Amortisation			
At 3 October 2004	–	1.5	1.5
Charged during the period	–	0.5	0.5
Disposals	–	(1.2)	(1.2)
At 1 October 2005	–	0.8	0.8
Net book amount at 2 October 2004	–	0.8	0.8
Net book amount at 1 October 2005	**2.8**	**1.1**	**3.9**

Impairment testing of brands

The key assumptions used in the impairment testing of brands were a discount rate of 9.0% (2005: 9.0%) and a long-term growth rate used to extrapolate cash flows beyond the cash flow projection period of one year of 2.0% (2005: 2.0%). These assumptions are based on historic trends adjusted for management estimates of future prospects, and take account of economic forecasts, marketing plans, political factors and estimates of competitors' strategy.

17 NOTES

11 GOODWILL

	£m
Cost	
At 2 October 2005	132.1
Additions	17.3
At 30 September 2006	149.4
Aggregate impairment	
At 2 October 2005	1.1
Impairment for the period	–
At 30 September 2006	**1.1**
Net book value at 1 October 2005	131.0
Net book value at 30 September 2006	**148.3**

Additions to goodwill relate to goodwill arising on the acquisition of Celtic Inns (note 32), Bluu (note 33) and English Country Inns (note 34).

Cost	£m
At 3 October 2004	109.1
Additions	23.0
At 1 October 2005	**132.1**
Aggregate impairment	
At 3 October 2004	–
Impairment for the period	1.1
At 1 October 2005	**1.1**
Net book value at 2 October 2004	109.1
Net book value at 1 October 2005	**131.0**

Impairment testing of goodwill
Goodwill has been allocated across the primary business segments, and the recoverable amounts of the values allocated to those segments have been estimated and compared to the carrying amounts. Recoverable amounts are determined based on the higher of value in use and fair value less costs to sell.

The carrying amount of goodwill has been allocated £68.7m (2005: £67.4m) to Pathfinder Pubs, £69.2m (2005: £53.2m) to The Union Pub Company, and £10.4m (2005: £10.4m) to WDB Brands.

The key assumptions used are the discount rate applied to the cash flow projections of 9.0% (2005: 9.0%) and the growth rate used to extrapolate the projected cash flows beyond the one year budgets of 2.0% (2005: 2.0%) in line with an expected long-term inflation rate which is below the long-term average growth rate for the industry.

Other commercial assumptions relate to market growth, market share and net selling prices. These assumptions are based on historic trends adjusted for management estimates of future prospects. These estimates take account of economic forecasts, marketing plans, political factors and estimates of competitor's strategy.

Following the above impairment tests, no impairment of goodwill was required in the current period (2005: £1.1m).

17 NOTES

12 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £m	Plant and machinery £m	Fixtures, fittings, tools and equipment £m	Total £m
Cost or valuation				
At 2 October 2005	1,360.5	27.6	279.6	1,667.7
Additions	48.6	3.3	45.8	97.7
Acquisitions	33.3	–	2.0	35.3
Transfers from other non-current assets	1.0	–	–	1.0
Transfers to assets held for sale	(20.8)	–	(8.7)	(29.5)
Disposals	(22.4)	(5.5)	(17.8)	(45.7)
Impairment/revaluation	(7.5)	–	–	(7.5)
At 30 September 2006	**1,392.7**	**25.4**	**300.9**	**1,719.0**
Depreciation				
At 2 October 2005	4.4	10.4	101.9	116.7
Charge for the period	3.2	3.1	32.3	38.6
Transfers to assets held for sale	(0.2)	–	(3.1)	(3.3)
Disposals	–	(5.4)	(11.6)	(17.0)
At 30 September 2006	**7.4**	**8.1**	**119.5**	**135.0**
Net book value at 1 October 2005	1,356.1	17.2	177.7	1,551.0
Net book value at 30 September 2006	**1,385.3**	**17.3**	**181.4**	**1,584.0**

	Land and buildings £m	Plant and machinery £m	Fixtures, fittings, tools and equipment £m	Total £m
Cost or valuation				
At 3 October 2004	1,076.1	20.0	232.1	1,328.2
Additions	49.6	5.3	39.7	94.6
Acquisitions	238.6	2.9	23.4	264.9
Disposals	(7.7)	(0.6)	(15.6)	(23.9)
Surplus on revaluation	3.9	–	–	3.9
At 1 October 2005	**1,360.5**	**27.6**	**279.6**	**1,667.7**
Depreciation				
At 3 October 2004	0.2	8.1	85.3	93.6
Charge for the period	5.4	2.8	29.5	37.7
Disposals	(0.3)	(0.5)	(12.9)	(13.7)
Revaluation	(0.9)	–	–	(0.9)
At 1 October 2005	**4.4**	**10.4**	**101.9**	**116.7**
Net book value at 2 October 2004	1,075.9	11.9	146.8	1,234.6
Net book value at 1 October 2005	**1,356.1**	**17.2**	**177.7**	**1,551.0**

17 NOTES

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The net book value of land and buildings is split as follows:

	2006 £m	2005 £m
Freehold properties	**1,286.2**	1,262.0
Leasehold properties over 50 years unexpired	**59.8**	56.0
Leasehold properties under 50 years unexpired	**39.3**	38.1
	1,385.3	1,356.1

Cost or valuation of properties comprises:

	2006 £m	2005 £m
Valuation	**1,323.3**	1,306.7
At cost	**69.4**	53.8
	1,392.7	1,360.5

At 25 February 2006, independent chartered surveyors Christie & Co revalued two properties on an open market value basis. These valuations have been incorporated into the financial statements and the resulting revaluation adjustments have been taken to the revaluation reserve. The revaluations during the period ended 30 September 2006 resulted in a total revaluation surplus of £0.2m (note 28).

During the period various properties were reviewed for impairment, prior to their recategorisation as assets held for sale. This identified an impairment of £7.7m which has been taken either to the income statement or, where the impairment reverses a previous upwards valuation, to the revaluation reserve.

The impact of the impairment/revaluations described above is as follows:

	£m
Income statement:	
Impairment	(3.8)
Revaluation reserve:	
Unrealised revaluation surplus	0.2
Reversal of past revaluation surplus	(3.9)
Net decrease in shareholders' equity/property, plant and equipment	(7.5)

Independent chartered surveyors revalued the pub estate at 2 October 2004 on an open market value basis. On the same date the breweries were revalued on a depreciated replacement cost basis. Subsequent additions have been stated at cost or, in the case of acquisitions, at fair value.

At 17 March 2006 Christie & Co fair valued the acquired Celtic Inns pub estate on an open market value basis. Further details are presented in note 32.

At 6 July 2006 the Group, using internal chartered surveyors, fair valued the acquired Bluu pub estate on an open market value basis. Further details are presented in note 33.

If the freehold and leasehold properties had not been revalued, the historical net book value would be £1,006.6m (2005: £976.1m).

Cost at 30 September 2006 includes £11.4m (2005: £12.1m) of assets in the course of construction.

Capital expenditure authorised and committed at the period-end but not provided in the financial statements was £7.5m (2005: £11.0m).

13 OTHER NON-CURRENT ASSETS

	Trade loans £m	Lease premiums £m	Total £m
At 2 October 2005	21.1	1.0	22.1
Additions	8.1	–	8.1
Transfers to property, plant and equipment	–	(1.0)	(1.0)
Disposals, repayments and impairments	(6.1)	–	(6.1)
At 30 September 2006	**23.1**	**–**	**23.1**

17 NOTES

13 OTHER NON-CURRENT ASSETS (CONTINUED)

	Trade loans £m	Term loans £m	Long-term deposits £m	Lease premiums £m	Total £m
At 3 October 2004	21.2	–	–	0.6	21.8
Additions	4.4	–	–	0.4	4.8
Acquisitions	1.7	0.3	2.3	–	4.3
Disposals, repayments and impairments	(6.2)	(0.3)	(2.3)	–	(8.8)
At 1 October 2005	**21.1**	**–**	**–**	**1.0**	**22.1**

14 INVENTORIES

	2006 £m	2005 £m
Raw materials and consumables	**4.3**	4.6
Work in progress	**0.2**	0.2
Finished goods	**8.3**	8.8
	12.8	13.6

15 ASSETS HELD FOR SALE

	2006 £m	2005 £m
Properties	**26.2**	–

16 TRADE AND OTHER RECEIVABLES

	2006 £m	2005 £m
Trade receivables	**28.5**	32.5
Prepayments and accrued income	**12.0**	11.7
Other receivables	**10.1**	9.8
	50.6	54.0

17 FINANCIAL ASSETS: AVAILABLE-FOR-SALE INVESTMENTS

	2006 £m	2005 £m
At beginning of period	**–**	–
Additions	**31.8**	–
At end of period	**31.8**	–

The Group invests in a short-term investment fund. The Group has access to the cash invested in this fund on demand and there are no withdrawal penalties. However, under the terms of IAS 7 these investments are treated as a financial asset rather than a cash equivalent.

18 BORROWINGS

Current	2006 £m	2005 £m
Unsecured bank loans and overdrafts due within one year or on demand	**19.0**	35.4
Securitised debt	**10.4**	9.1
Unsecured loan notes	**9.1**	9.2
Finance leases	**0.1**	0.1
	38.6	53.8

17 NOTES

18 BORROWINGS (CONTINUED)

	2006	2005
Non-current	£m	£m
Unsecured bank loans	**154.3**	111.1
Securitised debt	**772.1**	782.6
Finance leases	**0.2**	0.3
Preference shares	**0.1**	0.1
	926.7	894.1

All of the Group's borrowings are denominated in pounds sterling. Bank loans and overdrafts bear interest at LIBOR plus a margin. Interest is payable on the unsecured loan notes at a rate of 0.75% below six month LIBOR.

Preference share capital
The Group has 0.1m (2005: 0.1m) preference shares of £1 each in issue at the balance sheet date. The preference shares, which are classified as debt under IAS 32, carry the right to a fixed cumulative preferential dividend at the rate of 6% per annum (they are also entitled to a non-cumulative dividend of 1% per annum provided that dividends of not less than £24,000 have been paid on the ordinary shares in that year). They participate in the event of a winding-up and on a return of capital and carry the right to attend and vote at general meetings of the Company, carrying four votes per share.

Interest rates
The effective interest rates on borrowings at the balance sheet date, excluding securitised debt (note 19), were as follows:

	2006	2005
Bank overdraft	**5.75%**	5.50%
Bank loans	**5.88%**	5.26%
Loan notes	**3.95%**	4.19%
Finance leases	**13.92%**	12.56%
Preference shares	**6.00%**	6.00%

19 SECURITISED DEBT

On 9 August 2005, £805m of secured loan notes were issued in connection with the securitisation of 1,592 of the Group's pubs held in W&DB Pubs Limited. These loan notes were secured over the properties and their future income streams and were issued by W&DB Issuer PLC, a special purpose entity (note 35). During the period ended 30 September 2006, seven (2005: nil) of the securitised pubs were sold to third parties.

The securitisation is governed by various covenants, warranties and events of default, many of which apply to W&DB Pubs Limited. These include covenants regarding the maintenance and disposal of securitised properties and restrictions on the ability to move cash to other companies within the Group.

The securitised debt at 30 September 2006 consists of four tranches with the following principal terms:

Tranche	2006 £m	2005 £m	Interest	Principal repayment period - by instalments	Expected average life	Expected maturity date
A1	225.9	236.0	Floating	2006 to 2020	5 years	2012
A2	214.0	214.0	Fixed/floating	2020 to 2027	13 years	2019
A3	200.0	200.0	Fixed/floating	2027 to 2032	21 years	2027
B	155.0	155.0	Fixed/floating	2032 to 2035	13 years	2019
	794.9	805.0				

Interest on the Class A1 notes is payable at three month LIBOR plus a margin of 0.55%, stepping up to three month LIBOR plus 1.375% from July 2012. These notes are hedged in full by the Group using interest rate swaps whereby all interest payments are swapped to fixed interest payable.

Interest on the Class A2 notes is payable at interest of 5.1576% until July 2019 and thereafter at three month LIBOR plus a margin of 1.32%. Interest on the Class A3 notes is payable at interest of 5.1774% until April 2027 and thereafter at three month LIBOR plus a margin of 1.45%. Interest on the Class B notes is payable at interest of 5.6410% until July 2019 and thereafter at three month LIBOR plus a margin of 2.55%.

At 30 September 2006 W&DB Pubs Limited held cash of £16.0m (2005: £40.6m), and available-for-sale investments of £31.8m (2005: £nil) which were governed by certain restrictions under the covenants associated with the securitisation.

17 NOTES

19 SECURITISED DEBT (CONTINUED)

The carrying value of the secured notes in the Group balance sheet at 30 September 2006 is analysed as follows:

	£m
Gross proceeds received on 9 August 2005	805.0
Deferred issue costs	(13.3)
Carrying value at 1 October 2005	791.7
Capital repayments	(10.1)
Amortisation of deferred issue costs	0.9
Carrying value at 30 September 2006	782.5

20 FINANCIAL INSTRUMENTS

Treasury policy
The Group's financial instruments, other than derivative financial instruments, comprise securitised debt, preference shares, bank borrowings (loans and overdrafts), other loans, finance leases and cash. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group also has various other financial instruments such as trade receivables and trade payables that arise directly from its operations, which have not been included in the following disclosures.

The only derivative financial instruments that the Group enters into are interest rate swaps. The purpose of these transactions is to manage the interest rate risks arising from the Group's operations and its sources of finance.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate, liquidity and credit risk. The Board regularly reviews and agrees policies for managing all of these risks and these are summarised below. The Group has no material exposure to currency rate risk.

Interest rate risk:
The Group finances its operations through a mixture of retained earnings, securitised debt and bank borrowings. The Group borrows at both fixed and floating rates of interest and then uses interest rate swaps to generate the desired interest profile and to manage the Group's exposure to interest rate fluctuations.

The Group's aim is to reduce the risk of exposure to market rate fluctuations in the medium term.

Liquidity risk:
The Group's policy is to ensure continuity of funding and in particular to ensure that funding requirements for the medium term are available through committed facilities. In addition, having regard to the longevity of the Group's assets, securitised debt is considered as being a suitable debt instrument.

Short-term flexibility is achieved through the use of overdraft facilities and other uncommitted facilities.

Credit risk:
The Group has no significant concentrations of credit risk. The Group has implemented policies that require appropriate credit checks on potential customers before sales commence.

Fair values of borrowings, cash and derivative financial instruments

	2006		2005	
	Book value £m	**Fair value £m**	Book value £m	Fair value £m
Primary instruments:				
Borrowings	**(978.6)**	**(990.1)**	(962.3)	(969.7)
Cash and cash equivalents	**39.8**	**39.8**	76.1	76.1
Financial assets: available-for-sale investments	**31.8**	**31.8**	–	–
	(907.0)	**(918.5)**	(886.2)	(893.6)

17 NOTES

20 FINANCIAL INSTRUMENTS (CONTINUED)

	2006		2005	
	Book value £m	**Fair value £m**	Book value £m	Fair value £m
Derivative financial instruments:				
Interest rate swaps				
Current liabilities	**(0.5)**	**(0.5)**	-	(0.8)
Non-current liabilities	**(14.3)**	**(14.3)**	(0.9)	(14.3)
	(14.8)	**(14.8)**	(0.9)	(15.1)

The various tranches of securitised debt have been valued at fair value, using period end mid-market quoted prices. All other fair values have been calculated by discounting cash flows at prevailing interest rates.

As explained in the accounting policies, IAS 39 has not been applied in valuing the derivative financial instrument in the comparative balance sheet. This is instead recorded at cost. The table above shows the fair values that would have been recognised if IAS 39 had been adopted for the comparative period.

The £0.9m derivative financial instrument included in the comparative balance sheet under non-current liabilities represents the fair value of a swap instrument acquired with the Jennings business during 2005.

Interest rate swaps
The Group uses interest rate swaps to fix the interest rate payable on the floating rate tranches of its securitised debt. These derivative financial instruments have qualified for cash flow hedge accounting as defined in IAS 39, and, as a result, changes in fair value are recognised in equity for the effective portion of the hedge. The gains on cash flow hedges taken directly to equity in the period totalled £0.3m.

The notional principal amount of the outstanding interest rate swap contracts at 30 September 2006 was £225.9m (2005: £236.0m).
The interest rate swap fixes interest at 4.9%.

The interest rate risk profile, after taking account of derivative financial instruments, is as follows:

	2006			2005		
	Floating rate financial liabilities £m	**Fixed rate financial liabilities £m**	**Total £m**	Floating rate financial liabilities £m	Fixed rate financial liabilities £m	Total £m
Borrowings	**183.3**	**795.3**	**978.6**	156.8	805.5	962.3

The weighted average interest rate of the fixed rate financial borrowings is 5.3% (2005: 5.3%) and the weighted average period for which the rate is fixed is 13 years (2005: 14 years).

Maturity of borrowings
The maturity profile of the carrying amount of the Group's borrowings at the period-end is as follows:

	2006			2005		
	Gross borrowings £m	**Unamortised issue costs £m**	**Net borrowings £m**	Gross borrowings £m	Unamortised issue costs £m	Net borrowings £m
Due within one year	**39.8**	**(1.2)**	**38.6**	55.0	(1.2)	53.8
In more than one year but less than two years	**11.5**	**(1.2)**	**10.3**	11.5	(1.2)	10.3
In more than two years but less than five years	**196.1**	**(3.2)**	**192.9**	150.4	(3.5)	146.9
In more than five years	**731.2**	**(7.7)**	**723.5**	745.4	(8.5)	736.9
	978.6	**(13.3)**	**965.3**	962.3	(14.4)	947.9

Included within the above table are finance leases of £0.3m (2005: £0.4m). The maturity profile is: due within one year £0.1m (2005: £0.1m), in more than one year but less than two years £0.1m (2005: £0.1m) and in more than two years but less than five years £0.1m (2005: £0.2m).

17 NOTES

20 FINANCIAL INSTRUMENTS (CONTINUED)

Finance leases
The minimum lease payments under finance leases fall due as follows:

	2006 £m	2005 £m
Due within one year	**0.1**	0.1
In more than one year but less than five years	**0.3**	0.4
	0.4	0.5
Future finance charges on finance leases	**(0.1)**	(0.1)
Present value of finance lease liabilities	**0.3**	0.4

21 TRADE AND OTHER PAYABLES

	2006 £m	2005 £m
Trade payables	**42.6**	26.4
Other taxes and social security	**17.5**	15.8
Accruals and deferred income	**32.1**	34.2
Other payables	**15.9**	15.1
	108.1	91.5

22 DEFERRED TAX

Net deferred tax liability
Deferred tax is calculated on temporary differences under the liability method using a tax rate of 30% (2005: 30%). The movement on the deferred tax accounts is as shown below:

	2006 £m	2005 £m
At beginning of period as previously reported	**117.9**	85.7
Effect of adoption of IAS 32 and IAS 39	**(4.3)**	–
Restated at beginning of period	**113.6**	85.7
Acquisitions	**3.8**	20.9
Charged to the income statement	**5.8**	13.1
Credited to equity		
Actuarial loss	**(5.4)**	(0.9)
Revaluation of properties	**(5.0)**	(0.5)
Share-based payments	**0.8**	(0.4)
Hedging reserve	**0.1**	–
At end of period	**113.7**	117.9

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets where it is probable that these assets will be recovered.

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12) during the period are shown below. Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

17 NOTES

22 DEFERRED TAX (CONTINUED)

Deferred tax liabilities

	Accelerated capital allowances £m	Revaluation of properties £m	Rolled over capital gains £m	Other £m	Total £m
At 2 October 2005	30.0	122.9	5.1	3.3	161.3
Acquisitions	0.1	4.2	0.1	–	4.4
Charged/(credited) to the income statement	2.0	(3.0)	3.1	(0.2)	1.9
Credited to equity	–	(5.0)	–	–	(5.0)
At 30 September 2006	**32.1**	**119.1**	**8.3**	**3.1**	**162.6**

Deferred tax assets

	Pensions £m	Tax losses £m	Share based payments £m	Hedging reserve £m	Other £m	Total £m
At 2 October 2005 as previously reported	(20.3)	(20.2)	(2.3)	–	(0.6)	(43.4)
Effect of adoption of IAS 32 and IAS 39	–	–	–	(4.3)	–	(4.3)
Transfer to hedging reserve	–	–	–	(0.2)	0.2	–
At 2 October 2005 as restated	(20.3)	(20.2)	(2.3)	(4.5)	(0.4)	(47.7)
Acquisitions	–	(0.6)	–	–	–	(0.6)
Charged/(credited) to the income statement	5.2	(1.1)	(0.4)	–	0.2	3.9
Charged/(credited) to equity						
Actuarial loss	(5.4)	–	–	–	–	(5.4)
Share-based payments	–	–	0.8	–	–	0.8
Hedging reserve	–	–	–	0.1	–	0.1
At 30 September 2006	**(20.5)**	**(21.9)**	**(1.9)**	**(4.4)**	**(0.2)**	**(48.9)**
Net deferred tax liability						
At 1 October 2005						117.9
At 30 September 2006						**113.7**

23 OTHER NON-CURRENT LIABILITIES

	2006 £m	2005 £m
Accruals and deferred income	**0.4**	0.5
Other liabilities	**0.3**	0.3
	0.7	0.8

24 PROVISIONS

	Property leases £m
At 2 October 2005	2.2
Credited to income statement	(0.2)
At 30 September 2006	**2.0**

	Property leases £m
At 3 October 2004	1.5
Acquisitions	0.2
Charged to income statement	0.5
At 1 October 2005	**2.2**

When valuations of leasehold properties (based on future estimated income streams) give rise to a deficit as a result of onerous lease conditions they are recognised as liabilities in provisions. Payments are expected to continue on these properties for periods of 17 to 42 years. The amounts are not discounted as the Directors consider the discounted amounts would not be materially different from the amounts recognised.

17 NOTES

25 PENSION COMMITMENTS

During the period the Group contributed to three funded final salary (defined benefit) pension schemes and six Group personal pension plans (defined contribution pension schemes). On 4 April 2006 the Burtonwood final salary scheme was merged with the W&DB scheme. On 1 July 2006 the Jennings scheme was also merged with the W&DB scheme. The disclosures for the prior period show the net position in respect of the three schemes.

Defined contribution schemes
Pension costs for defined contribution schemes are as follows:

	2006 £m	2005 £m
Defined contribution schemes	**0.7**	0.5

Defined benefit scheme
The most recent actuarial valuation of the W&DB final salary pension scheme was performed by Mercer Human Resource Consulting as at 30 September 2006. The principal assumptions made by the actuaries were:

	2006	2005
Discount rate	**5.2%**	5.1%
Rate of increase in pensionable salaries	**3.4%**	3.5%
Rate of increase in pensions	**2.7%**	2.5%
Inflation assumption	**2.7%**	2.5%
Expected return on plan assets	**5.7%**	5.9%
Life expectancy for active and deferred members from age 65		
Male	**22.2 years**	19.4 years
Female	**25.0 years**	22.4 years
Life expectancy for current pensioners from age 65		
Male	**20.5 years**	16.9 years
Female	**23.4 years**	19.9 years

The expected return on plan assets is based on market expectation at the beginning of the period for returns over the entire life of the benefit obligation. Mortality assumptions are based on standard tables adjusted for scheme experience and with an allowance for future improvement in life expectancy.

Pensions and other post-retirement obligations
Movement in deficit during the period:

	Plan assets		Pension obligations		Net deficit	
	2006 £m	2005 £m	2006 £m	2005 £m	2006 £m	2005 £m
At beginning of period	**219.3**	145.7	**(264.9)**	(211.9)	**(45.6)**	(66.2)
Current service cost	**–**	–	**(3.5)**	(2.7)	**(3.5)**	(2.7)
Interest cost on benefit obligations	**–**	–	**(13.4)**	(12.8)	**(13.4)**	(12.8)
Expected return on plan assets	**13.0**	10.2	**–**	–	**13.0**	10.2
Employer contributions	**14.4**	34.9	**–**	–	**14.4**	34.9
Contributions by employees	**1.3**	1.5	**(1.3)**	(1.5)	**–**	–
Benefits paid	**(9.5)**	(7.1)	**9.5**	7.1	**–**	–
Acquisitions	**–**	18.2	**–**	(24.2)	**–**	(6.0)
Actuarial gain/(loss)	**6.6**	15.9	**(24.6)**	(18.9)	**(18.0)**	(3.0)
At end of period	**245.1**	219.3	**(298.2)**	(264.9)	**(53.1)**	(45.6)

The major categories of plan assets as a percentage of total plan assets are as follows:

	2006	2005
Equities	**67.0%**	65.2%
Bonds	**30.5%**	34.0%
Other	**2.5%**	0.8%

The actual return on plan assets was £19.6m (2005: £26.1m).

17 NOTES

25 PENSION COMMITMENTS (CONTINUED)

Pension costs recognised in the income statement
The amounts recognised in the income statement are as follows:

	2006 £m	2005 £m
Current service cost	**3.5**	2.7
Interest cost	**13.4**	12.8
Expected return on plan assets	**(13.0)**	(10.2)
Total expense recognised in the income statement	**3.9**	5.3

Of the total charge, £3.5m (2005: £2.7m) is included within employee costs (note 5) and £0.4m (2005: £2.6m) is included within finance costs (note 6).

Cumulative actuarial gains and losses recognised in equity

	2006 £m	2005 £m
At beginning of period	**(3.0)**	–
Net actuarial losses recognised in the period	**(18.0)**	(3.0)
At end of period	**(21.0)**	(3.0)

History of experience gains and losses

	2006	2005
Experience adjustments arising on scheme assets:		
Amount	**£(6.6)m**	£15.9m
Percentage of scheme assets	**2.7%**	7.3%
Experience adjustments arising on scheme liabilities:		
Amount	**£(24.6)m**	£(18.9)m
Percentage of present value of scheme liabilities	**8.2%**	7.1%
Present value of scheme liabilities	**£(298.2)m**	£(264.9)m
Fair value of scheme assets	**£245.1m**	£219.3m
Deficit	**£(53.1)m**	£(45.6)m

The contribution expected to be paid during the financial period ending 29 September 2007 is £10.4m.

17 NOTES

26 SHARE-BASED PAYMENTS

During the period there were three classes of equity-settled employee share incentive plans outstanding:

(a) Save As You Earn (SAYE). Under this scheme employees enter into a savings contract for a period of three to seven years and options are granted on commencement of the contract, exercisable using the amount saved under the contract at the time it terminates. Options under the scheme are granted at a discount of 20% of the market price of the shares at the time of the grant and are not subject to performance conditions. Exercise of options is subject to continued employment.
(b) Executive Share Option Plan (ESOP). Under this scheme executive share options are awarded at the prevailing market rate on the date of the grant. Options are normally exercisable between three and ten years after grant and upon the achievement of performance criteria in relation to earnings per share, as set out in the Directors' remuneration report on page 28.
(c) Long Term Incentive Plan (LTIP). Under this scheme nil cost options are granted that will only vest provided the participant satisfies the minimum shareholding requirement and performance conditions relating to earnings per share, as set out in the Directors' remuneration report on page 28, are met.

The tables below summarise outstanding options that were issued after 7 November 2002:

SAYE:	Number of shares 2006 m	Number of shares 2005 m	Weighted average exercise price 2006 p	Weighted average exercise price 2005 p
Outstanding at beginning of period	**0.4**	0.3	**691.6**	556.3
Granted	**0.1**	0.1	**1,016.0**	840.0
Outstanding at end of period	**0.5**	0.4	**780.2**	691.6
Exercisable at end of period	**–**	–		
Range of exercise prices	**346.8p to 840.0p**	346.8p to 536.4p		
Weighted average remaining contractual life (years)	**3.0**	3.4		

ESOP:	Number of shares 2006 m	Number of shares 2005 m	Weighted average exercise price 2006 p	Weighted average exercise price 2005 p
Outstanding at beginning of period	**0.2**	0.2	**604.0**	604.0
Exercised	**(0.2)**	–	**604.0**	604.0
Outstanding at end of period	**–**	0.2	**604.0**	604.0
Exercisable at end of period	**–**	–		
Exercise price	**604.0p**	604.0p		
Weighted average remaining contractual life (years)	**3.3**	4.3		

LTIP:	Number of shares 2006 m	Number of shares 2005 m	Weighted average exercise price 2006 p	Weighted average exercise price 2005 p
Outstanding at beginning of period	**0.3**	0.2	**–**	–
Granted	**0.2**	0.1	**–**	–
Outstanding at end of period	**0.5**	0.3	**–**	–
Exercisable at end of period	**–**	–		
Exercise price	**–**	–		
Weighted average remaining contractual life (years)	**1.9**	2.5		

The fair values of the SAYE, ESOP and LTIP rights are calculated at the date of grant using the Black-Scholes option-pricing model. The main assumptions used during the period, for all schemes unless otherwise stated, were:

	2006	2005
Dividend yield %	**3.4**	3.7
Expected volatility %	**17.8 to 23.1**	19.4 to 23.5
Risk free interest rate %	**4.7 to 4.8**	4.1 to 4.2
Expected life of rights		
SAYE	**3 to 7 years**	3 to 7 years
ESOP	**3 years**	3 years
LTIP	**3 years**	3 years

17 NOTES

26 SHARE-BASED PAYMENTS (CONTINUED)

The expected volatility is based on historical volatility over the expected life of the rights. The performance criteria of the ESOP and LTIP, as set out previously, are built into the pricing model.

The weighted average fair value of options granted during the period in relation to the SAYE scheme was 342.0p. The fair value of options granted during the period in relation to the LTIP was 1,101.0p.

The weighted average share price for options exercised over the period was 1,268.0p (2005: 1,105.0p). The total charge for the period relating to employee share-based payment plans was £1.0m (2005: £0.9m), all of which related to equity-settled share-based payment transactions. After deferred tax, the total charge was £0.7m (2005: £0.6m).

The table below summarises outstanding options that were issued prior to 7 November 2002 which have therefore not been charged to the income statement:

	SAYE				ESOP			
	Number of shares		Weighted average exercise price		Number of shares		Weighted average exercise price	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	m	m	**p**	p	**m**	m	**p**	p
Outstanding at beginning of period	**0.3**	0.8	**352.7**	314.1	**0.4**	0.6	**443.8**	472.7
Exercised	**(0.1)**	(0.5)	**335.5**	294.3	**(0.3)**	(0.2)	**434.2**	552.5
Outstanding at end of period	**0.2**	0.3	**357.0**	352.7	**0.1**	0.4	**471.2**	443.8
Exercisable at end of period	**–**	–	**–**	–	**0.1**	0.4	**471.2**	443.8
Weighted share price at date of exercise			**1,224.7p**	1,136.0p			**1,323.0p**	1,119.3p
Range of exercise prices	**233.9p to 554.0p**	233.9p to 554.0p			**325.5p to 587.5p**	371.5p to 573.5p		
Weighted average remaining contractual life (years)	**1.0**	2.0			**2.9**	2.7		

The LTIP scheme was introduced in January 2004.

27 EQUITY SHARE CAPITAL

	Number of issued shares m	Share capital £m	Share premium £m	Total £m
At 2 October 2005	77.3	22.8	185.1	207.9
Allotted under share option schemes	0.6	0.2	2.4	2.6
At 30 September 2006	77.9	23.0	187.5	210.5
At 3 October 2004	72.8	21.4	209.9	231.3
Allotted on acquisitions	3.9	1.2	–	1.2
Allotted under share option schemes	0.6	0.2	2.4	2.6
Transfer of premium on redemption of debentures	–	–	(27.2)	(27.2)
At 1 October 2005	77.3	22.8	185.1	207.9

The nominal value of the Group's ordinary shares is 29.5p (2005: 29.5p). The total authorised number of ordinary shares is 101.7 million (2005: 101.7 million).

A total of 0.6m ordinary shares were issued during the period ended 30 September 2006 pursuant to the exercise of ESOP and SAYE share options at exercise prices ranging from 233.9p to 840.0p. The aggregate consideration in respect of these exercises was £2.6m.

At 30 September 2006 there were 0.1m (2005: 0.6m) executive share options outstanding at prices from 325.5p to 604.0p per share, exercisable between 2006 and 2013 and 0.7m (2005: 0.7m) SAYE options outstanding at prices from 270.2p to 1,016.0p per share exercisable between 2006 and 2014. Details of the Group's LTIP and other executive share option schemes are included in the Directors' remuneration report on pages 27 to 33.

17 NOTES

28 RECONCILIATION OF MOVEMENTS IN RESERVES

	Merger reserve £m	Revaluation reserve £m	Capital redemption reserve £m	Hedging reserve £m	Own shares £m	Retained earnings £m
At 2 October 2005	41.5	311.2	6.0	–	(1.0)	83.2
Effect of adoption of IAS 32 and IAS 39	–	–	–	(10.6)	–	–
Restated as at 2 October 2005	41.5	311.2	6.0	(10.6)	(1.0)	83.2
Actuarial loss	–	–	–	–	–	(18.0)
Tax on actuarial loss	–	–	–	–	–	5.4
Sale of own shares from share trust	–	–	–	–	0.9	–
Purchase of treasury shares	–	–	–	–	(14.8)	–
Purchase of own shares for LTIP	–	–	–	–	(6.6)	–
Share-based payments	–	–	–	–	–	1.0
Tax in relation to share-based payments	–	–	–	–	–	0.7
Cash flow hedges	–	–	–	0.3	–	–
Tax on cash flow hedges	–	–	–	(0.1)	–	–
Property revaluation	–	0.2	–	–	–	–
Impairment of assets previously revalued	–	(3.9)	–	–	–	–
Deferred tax on properties	–	5.0	–	–	–	–
Disposal of properties	–	(1.0)	–	–	–	1.0
Transfer to retained earnings	–	(0.3)	–	–	–	0.3
Profit for the period	–	–	–	–	–	73.3
Dividends paid	–	–	–	–	–	(31.0)
At 30 September 2006	**41.5**	**311.2**	**6.0**	**(10.4)**	**(21.5)**	**115.9**
At 3 October 2004	–	307.6	6.0	–	(1.3)	40.0
Actuarial loss	–	–	–	–	–	(3.0)
Tax on actuarial loss	–	–	–	–	–	0.9
Sale of own shares from share trust	–	–	–	–	0.3	–
Share-based payments	–	–	–	–	–	0.9
Tax in relation to share-based payments	–	–	–	–	–	2.4
Transfer of premium on redemption of debentures	–	–	–	–	–	27.2
Merger reserve on Burtonwood acquisition	41.5	–	–	–	–	–
Property revaluation	–	5.8	–	–	–	–
Deferred tax on properties	–	0.5	–	–	–	–
Disposal of properties	–	(2.7)	–	–	–	2.7
Profit for the period	–	–	–	–	–	39.1
Dividends paid	–	–	–	–	–	(27.0)
At 1 October 2005	**41.5**	**311.2**	**6.0**	**–**	**(1.0)**	**83.2**

Total reserves, including share capital and share premium (note 27), are £653.2m (2005: £648.8m). The merger reserve recognised on the acquisition of Burtonwood reflects the difference between the nominal and fair value of the Company's shares issued as part of the consideration for the acquisition. Merger relief was taken, relieving the Group from the need to transfer this difference to the share premium account.

The capital redemption reserve arose on share buy-backs in previous periods and is not distributable.

Own shares represent the carrying value of investment in own shares held by the Group's ESOP and LTIP and in treasury shares as set out in the table below. ESOP and LTIP shares are held pursuant to the Company's executive share option schemes. The trustee of the ESOP is Banks's Brewery Insurance Limited, a wholly owned subsidiary of The Wolverhampton & Dudley Breweries, PLC.

	2006		2005	
	Number of shares m	Value m	Number of shares m	Value m
ESOP	**0.1**	**0.1**	0.2	1.0
LTIP	**0.5**	**6.6**	–	–
Treasury shares	**1.1**	**14.8**	–	–
	1.7	**21.5**	0.2	1.0

The market value of own shares held is £23.8m (2005: £1.9m). Shares acquired by the LTIP represent 0.6% of issued share capital. Treasury share purchases represent 1.4% of issued share capital. The Directors' interests in the shares in the trust are disclosed in the Directors' report. Dividends on own shares have been waived.

17 NOTES

29 WORKING CAPITAL AND NON-CASH MOVEMENTS

	2006 £m	2005 £m
Income from non-current assets	**(0.4)**	(0.3)
Difference between defined benefit pension contributions paid and amounts charged	**(10.5)**	(29.6)
Decrease in inventories	**1.0**	1.5
Decrease/(increase) in trade and other receivables	**1.4**	(0.8)
Increase/(decrease) in trade and other payables	**12.4**	(22.8)
Profit on disposal of property, plant and equipment	**(5.1)**	(4.0)
Impairment of property, plant and equipment following revaluation	**–**	1.0
Goodwill impairment following disposals of property, plant and equipment	**–**	1.1
Impairment of properties prior to transfer to assets held for sale	**3.8**	–
Working capital and non-cash movements	**2.6**	(53.9)

30 ANALYSIS OF NET DEBT

	2006 £m	Cash flow £m	Non-cash flow £m	Acquisitions £m	2005 £m
Cash and cash equivalents					
Cash at bank and in hand	**39.8**	(36.3)	–	–	76.1
Bank overdraft	**(19.2)**	16.4	–	–	(35.6)
	20.6	(19.9)	–	–	40.5
Financial assets					
Available-for-sale investments	**31.8**	31.8	–	–	–
	31.8	31.8	–	–	–
Debt due within one year					
Loan notes	**(9.1)**	0.8	(0.7)	–	(9.2)
Bank loans	**0.2**	14.2	–	(14.2)	0.2
Securitised debt	**(10.4)**	10.1	(11.4)	–	(9.1)
Finance leases	**(0.1)**	0.1	(0.1)	–	(0.1)
	(19.4)	25.2	(12.2)	(14.2)	(18.2)
Debt due after one year					
Bank loans	**(154.3)**	(43.0)	(0.2)	–	(111.1)
Securitised debt	**(772.1)**	–	10.5	–	(782.6)
Finance leases	**(0.2)**	–	0.1	–	(0.3)
Preference shares	**(0.1)**	–	–	–	(0.1)
	(926.7)	(43.0)	10.4	–	(894.1)
	(893.7)	(5.9)	(1.8)	(14.2)	(871.8)

Available-for-sale investments represent the Group's holding in a short-term investment fund from which cash can be withdrawn on demand and without penalty, and therefore has been classified within net debt.

Bank loans due within one year represent unamortised issue costs expected to be charged within 12 months of the balance sheet date.

31 OPERATING LEASE COMMITMENTS

	2006		2005	
Total commitments under non-cancellable operating leases:	**Land and buildings £m**	**Other £m**	Land and buildings £m	Other £m
Due within one year	**7.7**	**1.0**	7.6	0.9
Due between one and five years	**30.3**	**0.6**	30.2	0.9
Due beyond five years	**152.7**	**–**	138.8	–
	190.7	**1.6**	176.6	1.8

The Group leases various properties and equipment under non-cancellable operating leases. The leases have various terms, escalation clauses and renewal rights.

17 NOTES

32 ACQUISITION OF CELTIC INNS

On 17 March 2006, the Group acquired 100% of Celtic Inns Holdings Limited and its wholly owned subsidiaries. The acquisition has been accounted for under acquisition accounting principles and is therefore included in the consolidated balance sheet as at 30 September 2006.

	Book value £m	Fair value adjustments Revaluations £m	Other £m	Provisional fair value £m
Property, plant and equipment	26.6	3.5	–	30.1
Intangible assets - lease premiums	–	0.9	–	0.9
Inventories	0.1	–	–	0.1
Trade and other receivables	1.4	–	–	1.4
Cash and cash equivalents	0.1	–	–	0.1
Bank overdraft	(0.9)	–	–	(0.9)
Trade and other payables	(1.7)	–	–	(1.7)
Borrowings	(23.3)	–	(0.9)	(24.2)
Derivative financial instruments	–	–	(0.1)	(0.1)
Deferred tax	(0.2)	(3.6)	0.4	(3.4)
Net assets acquired	**2.1**	**0.8**	**(0.6)**	**2.3**
Consideration (including acquisition fees)				
Cash				17.6
Loan notes				0.7
Total consideration				**18.3**
Goodwill arising on consolidation				**16.0**

The attributed fair values are provisional.

The revaluation adjustment reflects the valuation of the acquired estate as at 17 March 2006. The valuation was carried out by independent chartered surveyors Christie & Co on an open market value basis. Deferred tax on property revaluations has been recognised on acquisition.

The other fair value adjustments reflect the elimination of prepaid finance costs on borrowings, the market value of the swap instrument at acquisition date, deferred tax in respect of tax losses which are available for offset against future trading profits and deferred tax on the elimination of finance costs.

The net cash outflow in respect of the acquisition of Celtic Inns was:

	£m
Acquisition of equity	
Cash	17.6
Net overdrafts of subsidiary	0.8
	18.4
Acquisition of debt	
Immediate repayment of subsidiary's debt	10.0
Net cash outflow in respect of the acquisition	28.4

The purchase agreement for Celtic Inns required the immediate repayment of certain borrowings, which were included in its balance sheet at the date of acquisition. The debt repayments have therefore been classified as part of the overall consideration for the acquisition of Celtic Inns.

In the financial year to 27 August 2005, Celtic Inns made a loss after tax of £0.5m. For the period from 28 August 2005 to 16 March 2006, Celtic Inns recorded revenue of £5.6m, operating profit of £1.5m, profit before taxation of £1.2m and profit after taxation of £1.0m. There is no difference between profit after taxation and the recognised income and expenses for that period.

Since acquisition, the cash operations of Celtic Inns have been integrated into the existing Group financial statements. As a result, it is impractical to isolate the cash flows of Celtic Inns.

17 NOTES

33 ACQUISITION OF BLUU

On 6 July 2006, the Group acquired 100% of Bluu Limited.

	£m
Book value of net liabilities acquired	(0.6)
Fair value adjustments	1.3
Goodwill	1.1
Consideration satisfied by cash	1.8

The attributed fair values are provisional. Fair value adjustments were made to the value of the acquired estate of £1.7m and deferred tax of £(0.4)m.

The net cash outflow in respect of the acquisition of Bluu was:

	£m
Acquisition of equity	
Cash	1.8
Acquisition of debt	
Immediate repayment of subsidiary's debt	3.7
Net cash outflow in respect of the acquisition	5.5

The purchase agreement for Bluu required the immediate repayment of certain borrowings, which were included in its balance sheet at the date of acquisition. The debt repayments have therefore been classified as part of the overall consideration for the acquisition of Bluu.

34 PRIOR PERIOD ACQUISITIONS

During the period ended 1 October 2005 the Group acquired Burtonwood, Jennings and English Country Inns. The fair value adjustments stated in the financial statements for the period ended 1 October 2005 are now confirmed with no adjustment.

An additional cash consideration of £2.2m was paid in the period to 30 September 2006 in relation to the acquisition of English Country Inns. This increased the Group's holding in the ordinary share capital of English Country Inns from 85% to 100%, eliminating the minority interest of £2.0m and generating additional goodwill of £0.2m.

17 NOTES

35 SPECIAL PURPOSE ENTITY – W&DB ISSUER PLC

The summarised financial statements of W&DB Issuer PLC are as follows:

Income statement:	**2006** £m	2005 £m
Finance costs	**(42.5)**	(6.4)
Finance income	**42.6**	6.4
Profit for the period attributable to equity shareholders	**0.1**	–

There are no recognised income and expenses other than the profit for the period.

Cash flow statement:	**2006** £m	2005 £m
Net cash inflow from operating activities	**–**	–
Investing activities		
Interest received	**39.9**	–
Repayment of loans advanced	**10.1**	–
Advance of loans	**–**	(805.0)
Net cash inflow/(outflow) from investing activities	**50.0**	(805.0)
Financing activities		
Interest paid	**(39.9)**	–
Repayment of securitised debt	**(10.1)**	–
Proceeds from issue of securitised debt	**–**	805.0
Net cash (outflow)/inflow from financing activities	**(50.0)**	805.0
Net increase in cash and cash equivalents	**–**	–

Balance sheet:	**2006** £m	2005 £m
Assets		
Amounts due from W&DB Pubs Limited	**794.9**	805.0
Other receivables	**24.0**	14.7
Liabilities		
Securitised debt	**(794.9)**	(805.0)
Other payables	**(23.9)**	(14.7)
Shareholders' equity	**0.1**	–

36 PRINCIPAL SUBSIDIARY UNDERTAKINGS

Details of the Group's principal subsidiary undertakings are provided in note 4 to the Company's financial statements.

17 NOTES

37 CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

On 9 August 2005 the Group entered into a Tax Deed of Covenant, the primary objective of which is to ensure that the Group does not trigger a total de-grouping liability of £173.2m, of which £136.0m relates to Capital Gains Tax (CGT) and £37.2m relates to Stamp Duty Land Tax (SDLT). This would arise in the event of W&DB Pubs Limited being sold outside the Group within six years for CGT purposes and three years for SDLT purposes. The Directors consider the likelihood of such a sale to be remote.

The Group has provided guarantees to Barclays Bank PLC in relation to loans entered into by tenants to finance the purchase of certain fixtures and fittings. The total amount guaranteed under these arrangements is £1.4m (2005: £1.1m).

The Group has also entered into a Deed of Guarantee with the Trustees of The Wolverhampton & Dudley Breweries, PLC Pension and Life Assurance Scheme ('The Scheme') whereby it guarantees to the Trustees the ongoing obligations of the Group to contribute to the Scheme, and the obligations of the Group to contribute to the Scheme in the event of a debt becoming due under section 75 of the Pensions Act 1995 on the occurrence of either a Group company entering liquidation or the Scheme winding–up.

38 EVENTS AFTER THE BALANCE SHEET DATE

On 1 December 2006 the Group announced its intention to proceed with a four-for-one share split, subject to shareholder approval at an extraordinary general meeting on 8 January 2007. The nominal value of the shares will change from 29.5p to 7.375p. If the share split had applied for the period ended 30 September 2006, basic earnings per share and basic earnings per share before exceptional items would have been 23.8p.

On 1 December 2006 the Group announced it intends to change its name to Marston's PLC, subject to shareholder approval at the extraordinary general meeting on 8 January 2007.

39 RECONCILIATION OF PROFIT AND NET ASSETS UNDER UK GAAP AS PREVIOUSLY REPORTED TO IFRS

The Wolverhampton & Dudley Breweries, PLC Group reported under UK GAAP in its previously published financial statements for the period ended 1 October 2005. The analysis below shows a reconciliation of profit and net assets as reported under UK GAAP for the period ended 1 October 2005 to the revised profit and net assets as reported under IFRS in these financial statements. In addition, there is a reconciliation of net assets under UK GAAP to IFRS at the date of transition for the Group, being 2 October 2004.

The adoption of IFRS has had no impact on the cash flows of the Group.

Reconciliation of profit before exceptional items for the period ended 1 October 2005

	Note	UK GAAP £m	Effect of transition to IFRS £m	IFRS £m
Revenue	a	597.3	(41.2)	556.1
Operating expenses	a, b, g	(461.9)	43.4	(418.5)
Operating profit		135.4	2.2	137.6
Net finance costs	b	(45.3)	(2.6)	(47.9)
Profit before taxation		90.1	(0.4)	89.7
Taxation	c	(26.5)	(0.3)	(26.8)
Profit for the period attributable to equity shareholders		63.6	(0.7)	62.9

Reconciliation of profit after exceptional items for the period ended 1 October 2005

	Note	UK GAAP £m	Effect of transition to IFRS £m	IFRS £m
Revenue	a	597.3	(41.2)	556.1
Operating expenses	a, b, d, e, f, g	(475.4)	54.1	(421.3)
Operating profit		121.9	12.9	134.8
Fixed asset disposals	d	4.0	(4.0)	–
Net finance costs	b	(78.0)	(2.6)	(80.6)
Profit before taxation		47.9	6.3	54.2
Taxation	c	(14.5)	(0.6)	(15.1)
Profit for the period attributable to equity shareholders		33.4	5.7	39.1

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39 RECONCILIATION OF PROFIT AND NET ASSETS UNDER UK GAAP TO IFRS (CONTINUED)

Reconciliation of equity at 2 October 2004 (date of transition to IFRS)

	Note	UK GAAP £m	Effect of transition to IFRS £m	IFRS £m
Assets				
Non-current assets				
Intangible assets	h	–	0.8	0.8
Goodwill		109.1	–	109.1
Property, plant and equipment	e, h, i	1,182.3	52.3	1,234.6
Deferred tax assets	c	–	47.2	47.2
Other non-current assets	i	21.2	0.6	21.8
		1,312.6	100.9	1,413.5
Current assets				
Inventories		13.5	–	13.5
Trade and other receivables		45.0	–	45.0
Cash and cash equivalents		16.2	–	16.2
		74.7	–	74.7
Liabilities				
Current liabilities				
Borrowings		(3.9)	–	(3.9)
Derivative financial instruments		(1.8)	–	(1.8)
Trade and other payables	g, j	(118.9)	16.7	(102.2)
Current tax liabilities		(12.6)	–	(12.6)
Pension liabilities	b	(1.5)	1.5	–
		(138.7)	18.2	(120.5)
Non-current liabilities				
Borrowings	k	(572.7)	(0.1)	(572.8)
Derivative financial instruments		(10.4)	–	(10.4)
Pension liabilities	b	–	(66.2)	(66.2)
Deferred tax liabilities	c	(15.7)	(117.2)	(132.9)
Other non-current liabilities	b	–	(0.3)	(0.3)
Provisions		(1.5)	–	(1.5)
		(600.3)	(183.8)	(784.1)
Net assets		648.3	(64.7)	583.6
Shareholders' equity				
Equity share capital	k	21.5	(0.1)	21.4
Share premium account		209.9	–	209.9
Revaluation reserve	c, e	321.9	(14.3)	307.6
Capital redemption reserve		6.0	–	6.0
Own shares		(1.3)	–	(1.3)
Retained earnings		90.3	(50.3)	40.0
Shareholders' equity		648.3	(64.7)	583.6

17 NOTES

39 RECONCILIATION OF PROFIT AND NET ASSETS UNDER UK GAAP TO IFRS (CONTINUED)

Reconciliation of equity at 1 October 2005

	Note	UK GAAP £m	Effect of transition to IFRS £m	IFRS £m
Assets				
Non-current assets				
Intangible assets	h	–	3.9	3.9
Goodwill	c, f	105.9	25.1	131.0
Property, plant and equipment	h, i	1,553.1	(2.1)	1,551.0
Deferred tax assets	c	–	43.4	43.4
Other non-current assets	i	21.1	1.0	22.1
		1,680.1	71.3	1,751.4
Current assets				
Inventories		13.6	–	13.6
Trade and other receivables	b	82.7	(28.7)	54.0
Current tax assets		5.9	–	5.9
Cash and cash equivalents		76.1	–	76.1
		178.3	(28.7)	149.6
Liabilities				
Current liabilities				
Borrowings		(53.8)	–	(53.8)
Trade and other payables	g, j	(112.4)	20.9	(91.5)
Pension liabilities	b	(3.3)	3.3	–
		(169.5)	24.2	(145.3)
Non-current liabilities				
Borrowings	k	(894.0)	(0.1)	(894.1)
Derivative financial instruments		(0.9)	–	(0.9)
Pension liabilities	b	–	(45.6)	(45.6)
Deferred tax liabilities	c	(32.8)	(128.5)	(161.3)
Other non-current liabilities	b	(0.5)	(0.3)	(0.8)
Provisions		(2.2)	–	(2.2)
		(930.4)	(174.5)	(1,104.9)
Net assets		758.5	(107.7)	650.8
Shareholders' equity				
Equity share capital	k	22.9	(0.1)	22.8
Share premium account		185.1	–	185.1
Merger reserve		41.5	–	41.5
Revaluation reserve	c	379.9	(68.7)	311.2
Capital redemption reserve		6.0	–	6.0
Own shares		(1.0)	–	(1.0)
Retained earnings		122.1	(38.9)	83.2
Shareholders' equity		756.5	(107.7)	648.8
Minority interest in equity		2.0	–	2.0
Total equity		758.5	(107.7)	650.8

17 NOTES

39 RECONCILIATION OF PROFIT AND NET ASSETS UNDER UK GAAP TO IFRS (CONTINUED)

Explanation of reconciling items between UK GAAP and IFRS

(a) Under the terms of IAS 18 'Revenue recognition' excise duty is excluded from revenue where it relates to the brewing and packaging of products on which the Group is accountable to the Government for the duty. Hence revenue has been reduced by £41.2m with a corresponding reduction in operating expenses.

(b) The defined benefit pension schemes were previously accounted for under SSAP 24 'Accounting for pension costs', together with the disclosures required by FRS 17 'Retirement benefits'. Had the transition to IFRS not taken place the Group would have been required to adopt FRS 17 in full for the period ended 30 September 2006. The Group now accounts for pensions in accordance with IAS 19 'Employee benefits'.

Under SSAP 24 the Group recognised a prepayment of £28.7m at 1 October 2005 (2004: creditor of £1.5m) in relation to the W&DB defined benefit pension scheme, representing payments made in excess of actuary-assessed requirements. A further liability of £3.3m was recognised at 1 October 2005 in relation to the Burtonwood and Jennings schemes. IAS 19 requires the Group to recognise the pension liability in full at each balance sheet date, which stood at £66.2m and £45.6m at 2 October 2004 and 1 October 2005 respectively.

The transition from SSAP 24 to IAS 19 also required the recognition of a finance cost of £2.6m, being the interest on pension scheme liabilities less the expected return on pension assets, and a credit of £2.0m to operating expenses, being an adjustment to the service cost of the schemes.

In addition to defined benefit pension schemes, IAS 19 requires the Group to account for other post-retirement benefits that are accruing. The financial statements at 1 October 2005 therefore recognise an accrual of £0.3m (2004: £0.3m) in relation to post-retirement medical benefits that are accruing for certain employees.

(c) The implementation of IAS 19 'Employee benefits' and IFRS 2 'Share-based payment' has resulted in the recognition of deferred tax assets of £20.6m (2004: £19.5m) in relation to the defined benefit pension scheme and £2.3m (2004: £1.9m) in relation to share-based payments. The income tax impact of these entries for the period ended 1 October 2005 was a credit of £0.2m for the defined benefit pension schemes and a charge of £1.8m relating to share-based payments.

IAS 12 'Income taxes' requires deferred tax to be provided on all temporary differences between the tax base and the carrying value of assets and liabilities rather than just on timing differences as under UK GAAP. Specifically, deferred tax is now recognised on the rolled over gains on property disposals and asset revaluations. As at 1 October 2005 a deferred tax liability of £89.9m (2004: £91.4m) was recognised in respect of property, resulting in a reduction in the revaluation reserve of £68.7m (2004: £69.2m). A further £18.1m (2004: £nil) deferred tax liability was recognised in respect of subsidiary companies acquired during the period. The impact of this on the income statement for the period to 1 October 2005 was a credit to ordinary activities of £1.3m and an exceptional charge of £0.3m.

(d) Under IFRS profits and losses on disposal of property, plant and equipment are deemed to be operating income/expenses.

(e) Under the transitional provisions of IFRS 1 the Group has elected to carry properties in the financial statements at open market value. The Group's properties were therefore valued at the transition date of 2 October 2004 and the carrying value subsequently uplifted by £53.7m, resulting in a credit to the revaluation reserve of £54.9m. The charge to the income statement of £0.4m in the period to 1 October 2005 relates to an impairment of carrying value.

(f) Under UK GAAP goodwill is amortised over its expected useful life up to a presumed maximum of 20 years. Under IFRS goodwill is not amortised but is subject to an annual impairment test. Therefore, goodwill amortisation of £7.0m charged in the period to 1 October 2005 in relation to subsidiaries held at the beginning of the period has been reversed, together with a further £0.1m in relation to subsidiaries acquired during the period. Goodwill amortisation charged prior to 2 October 2004 has not been reversed.

17 NOTES

39 RECONCILIATION OF PROFIT AND NET ASSETS UNDER UK GAAP TO IFRS (CONTINUED)

(g) Under UK GAAP the profit and loss account was charged with the intrinsic value of the LTIP, at the date of the grant, over the period in which the performance criteria must be satisfied. IFRS requires the fair value of all equity based transactions at the date of grant to be charged to the income statement. The fair value has been determined by applying the Black-Scholes valuation model and is being charged to the income statement evenly over the vesting period. The adjustment at 1 October 2005 is a credit of £1.1m to the income statement (2004: charge of £0.2m).

(h) In accordance with IAS 38 'Intangible assets', tangible assets of £0.8m and £1.1m at 2 October 2004 and 1 October 2005 respectively were reclassified as intangible assets. These represent computer software costs which are being amortised over five years.

On the acquisition of Jennings in the period ended 1 October 2005, £2.8m of the goodwill arising on acquisition has been reclassified as an intangible asset, representing the fair value of the acquired brand name. There was no impact on the income statement.

(i) IAS 17 deems lease premiums paid on the acquisition of leasehold property held under operating lease to be rentals paid in advance, and categorises such balances as other non-current assets. Under UK GAAP such premiums were included within the cost of fixed assets. The impact is to reclassify £0.6m and £1.0m at 2 October 2004 and 1 October 2005 respectively from property, plant and equipment to other non-current assets.

(j) Dividends relating to an accounting period are dealt with in that period under UK GAAP. IFRS does not permit recognition of a dividend until it is approved, typically after the accounting period to which it relates. The effect of this change is to increase equity by £16.9m at 2 October 2004 and £19.8m at 1 October 2005.

(k) IAS 32 requires preference shares to be classified as debt, whereas these were previously treated as share capital under UK GAAP.


Pedigree

COMPANY ACCOUNTS

18 INDEPENDENT AUDITORS' REPORT

We have audited the parent company financial statements of The Wolverhampton & Dudley Breweries, PLC for the period ended 30 September 2006 which comprise the Company balance sheet and the related notes. These parent company financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' remuneration report that is described as having been audited.

We have reported separately on the Group financial statements of The Wolverhampton & Dudley Breweries, PLC for the period ended 30 September 2006.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the annual report, the Directors' remuneration report and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the parent company financial statements and the part of the Directors' remuneration report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements and the part of the Directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' report is consistent with the parent company financial statements. In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited parent company financial statements. The other information comprises only the Chairman's statement, the Chief Executive's review, the Financial review, the Directors' report, the Corporate governance statement, the Corporate and social responsibility report and the non-auditable part of the Directors' remuneration report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements and the part of the Directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent company financial statements and the part of the Directors' remuneration report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent company financial statements and the part of the Directors' remuneration report to be audited.

Opinion

In our opinion:

- The parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs at 30 September 2006;
- The parent company financial statements and the part of the Directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- The information given in the Directors' report is consistent with the parent company financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham
1 December 2006

19 BALANCE SHEET

AS AT 30 SEPTEMBER 2006

	Notes	2006 £m	As restated 2005 £m
Fixed assets			
Tangible assets	3	**329.1**	323.2
Investments	4	**205.1**	186.2
		534.2	509.4
Current assets			
Assets held for sale	5	**6.2**	–
Debtors			
Amounts falling due within one year	6	**548.8**	667.4
Amounts falling due after more than one year	6	**429.3**	375.5
Cash at bank and in hand		**37.4**	29.7
		1,021.7	1,072.6
Creditors Amounts falling due within one year	7	**(728.4)**	(743.7)
Net current assets		**293.3**	328.9
Total assets less current liabilities		**827.5**	838.3
Creditors Amounts falling due after more than one year	7	**(0.1)**	(0.1)
Provisions for liabilities and charges	8	**(8.4)**	(3.2)
Net assets		**819.0**	835.0
Capital and reserves			
Equity share capital	10	**23.0**	22.8
Share premium account	11	**187.5**	185.1
Revaluation reserve	11	**81.2**	84.1
Capital redemption reserve	11	**6.0**	6.0
Own shares	11	**(21.5)**	(1.0)
Profit and loss account	11	**542.8**	538.0
Shareholders' funds	12	**819.0**	835.0

The financial statements on pages 81 to 88 were approved by the Board on 1 December 2006 and signed on its behalf by:

Ralph Findlay
Chief Executive
1 December 2006

20 NOTES

1 ACCOUNTING POLICIES

Basis of preparation
The Company financial statements are prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of certain freehold and leasehold properties, and in accordance with the Companies Act 1985 and applicable UK accounting standards.

Cash flow statement and related party disclosures
The Company is exempt from preparing a cash flow statement under the terms of FRS 1 as it is included within the consolidated Group cash flow statement presented in this annual report. The Company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of The Wolverhampton & Dudley Breweries, PLC Group.

Changes in accounting policies
The Company has adopted FRS 20 'Share-based payment', FRS 21 'Events after the balance sheet date', FRS 25 'Financial instruments: Disclosure and presentation', FRS 26 'Financial instruments: Measurement' and FRS 28 'Corresponding amounts' in these financial statements. The adoption of each of these standards represents a change in accounting policy and the comparative figures have been restated accordingly except where the exemption to restate the comparatives has been taken. Details of the effect of the prior period adjustments are provided in note 11.

Revenue and other operating income
Revenue represents rents receivable from licensed properties, which is recognised in respect of the period to which it relates. Other operating income comprises mainly rents from unlicensed properties.

Deferred tax
Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date that give rise to an obligation to pay more or less tax in the future. Timing differences are differences between the Company's taxable profits and profits as stated in the financial statements. Deferred tax assets and liabilities are not discounted and assets are only recognised where recoverability is probable.

Fixed assets
- Freehold and leasehold properties are stated at valuation or at cost. Plant, furnishings, equipment and other similar items are stated at cost.
- Depreciation is charged to the profit and loss account on a straight-line basis to provide for the cost of the assets less residual value over their useful lives.
- Freehold and long leasehold buildings are depreciated to residual value over 50 years.
- Short leasehold properties are depreciated over the life of the lease.
- Other plant and equipment is depreciated over periods ranging from 3 to 15 years.
- Own labour directly attributable to capital projects is capitalised.
- Land is not depreciated.

Properties are revalued by qualified valuers at least once in each rolling five year period, on an existing use basis. When a valuation is below current carrying value, the asset concerned is reviewed for impairment. Impairment losses are charged to the revaluation reserve to the extent that a previous gain has been recorded, and thereafter to the profit and loss account. Surpluses on revaluation are recognised in the revaluation reserve, except where they reverse previously charged impairment losses, in which case they are recorded in the profit and loss account.

Assets held for sale
Assets, typically properties, are categorised as held for sale when the value of the asset will be recovered through a sale transaction rather than continuing use. This condition is met when the sale is highly probable and the asset is available for immediate sale in its present condition. In addition, the Company must be committed to the sale and the completion should be expected to occur within one year from the date of classification. Assets held for sale are valued at the lower of carrying value and fair value less costs to sell and are no longer depreciated.

Disposals of fixed assets
Profit/loss on disposal of fixed assets represents net sale proceeds less carrying value of the assets. Any element of the revaluation reserve relating to the fixed assets disposed of is transferred to retained earnings at the date of sale.

Leases
Rental costs under operating leases are charged to the profit and loss account over the term of the lease. The cost of assets held under finance leases is included within tangible fixed assets and depreciation is provided in accordance with the policy for the class of asset concerned. The corresponding obligations under those leases are shown as creditors. The finance charge element of rentals is charged to the profit and loss account as incurred.

Investments in subsidiaries
Investments in subsidiaries are stated at cost, less any provision for diminution in value.

20 NOTES

1 ACCOUNTING POLICIES (CONTINUED)

Provisions
Provisions are recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Dividends
Dividends proposed by the Board but unpaid at the period end are recognised in the financial statements when they have been approved by the shareholders. Interim dividends are recognised when paid.

Share-based payments
The fair value of share-based remuneration at the date of grant is calculated using the Black-Scholes option-pricing model and charged to the profit and loss account on a straight line basis over the vesting period of the award. The charge to the profit and loss account takes account of the estimated number of shares that will vest.

Preference shares
Preference shares are treated as borrowings, and dividends payable on those preference shares are charged as interest in the profit and loss account.

2 AUDITORS' REMUNERATION

Auditors' remuneration in respect of the company audit was £0.1m (2005: £0.1m).

3 TANGIBLE FIXED ASSETS

	Land and buildings £m	Fixtures, fittings, tools and equipment £m	Total £m
Cost or valuation			
At 2 October 2005	317.7	8.7	326.4
Additions	22.4	2.3	24.7
Transfers from Group undertakings	2.0	7.5	9.5
Transfers to assets held for sale	(6.2)	–	(6.2)
Disposals	(9.0)	(2.4)	(11.4)
Impairment/revaluation	(4.0)	–	(4.0)
At 30 September 2006	**322.9**	**16.1**	**339.0**
Depreciation			
At 2 October 2005	2.6	0.6	3.2
Charge for the period	2.7	1.7	4.4
Transfers from Group undertakings	1.0	3.3	4.3
Impairment/revaluation	(0.2)	–	(0.2)
Disposals	–	(1.8)	(1.8)
At 30 September 2006	**6.1**	**3.8**	**9.9**
Net book value at 1 October 2005	315.1	8.1	323.2
Net book value at 30 September 2006	**316.8**	**12.3**	**329.1**

20 NOTES

3 TANGIBLE FIXED ASSETS (CONTINUED)

The net book value of land and buildings is split as follows:

	2006 £m	2005 £m
Freehold properties	**265.5**	264.8
Leasehold properties over 50 years unexpired	**20.5**	15.5
Leasehold properties under 50 years unexpired	**30.8**	34.8
	316.8	315.1

Cost or valuation of properties comprises:

	2006 £m	2005 £m
Valuation	**269.4**	283.4
At cost	**53.5**	34.3
	322.9	317.7

Cost at 30 September 2006 includes £4.2m (2005: £4.2m) of assets in the course of construction.

Independent chartered surveyors revalued the Company estate at 2 October 2004 on an existing use basis for pubs and a depreciated replacement cost basis for breweries.

During the period, various properties were reviewed for impairment prior to their recategorisation as assets held for sale. This review identified an impairment of £3.8m which has been taken either to the profit and loss account or, where the impairment reverses a previous upwards valuation, to the revaluation reserve.

	£m
Profit and loss account:	
Impairment	(1.8)
Revaluation reserve:	
Reversal of past revaluation surplus	(2.0)
Net decrease in shareholders' funds/fixed assets	(3.8)

4 FIXED ASSET INVESTMENTS

	Subsidiary undertakings £m
At 2 October 2005	186.2
Additions	20.5
Impairment	(1.6)
At 30 September 2006	**205.1**

Additions in the period relate to the acquisition of Celtic Inns (£18.3m) and English Country Inns (£2.2m). The impairment of £(1.6)m relates to the investment in Jennings.

The principal subsidiary undertakings are:

	Country of incorporation	Nature of business	% held	Class of shares
Wolverhampton & Dudley Breweries (Trading) Limited	England	Pub retailer and brewer	100	Ordinary £5 shares
W&DB Properties Limited	England	Property developer	100	Ordinary £1 shares
W&DB Pubs Limited	England	Pub retailer	100	Ordinary £1 shares
W&DB Estates Limited (formerly Burtonwood Group Limited)	England	Property management	100	Ordinary 25p shares
W&DB Operating Limited (formerly Voltnet Limited)	England	Pub retailer and brewer	100	Ordinary £1 shares
Bank's Brewery Insurance Limited	Guernsey	Insurance	100	Ordinary £1 shares

20 NOTES

4 FIXED ASSET INVESTMENTS (CONTINUED)

Details of the principal operating subsidiaries by type of business are set out above. All of these are held directly by The Wolverhampton & Dudley Breweries, PLC with the exception of W&DB Operating Limited which is a wholly-owned subsidiary of W&DB Estates Limited and W&DB Pubs Limited which is a wholly-owned subsidiary of W&DB Pubs Parent Limited, an intermediate holding company. A complete list of subsidiary undertakings is available at the Group's registered office. All subsidiaries have been included in the consolidated financial statements. During the period the trade and assets of a number of subsidiary companies were transferred to W&DB Estates Limited and W&DB Operating Limited.

The Group financial statements also include the consolidation of W&DB Issuer PLC, which the Directors consider to be a special purpose entity as set out in note 35 to the Group financial statements. W&DB Issuer PLC's ultimate parent undertaking is Wilmington Trust SP Services (London) Limited, which holds the shares of W&DB Issuer PLC's parent company under a charitable trust. W&DB Issuer PLC was set up with the sole purpose of issuing debt securitised on the assets of W&DB Pubs Limited.

5 ASSETS HELD FOR SALE

	2006 £m	2005 £m
Properties	**6.2**	–

6 DEBTORS

Amounts falling due within one year	2006 £m	2005 £m
Other debtors	**–**	3.6
Prepayments and accrued income	**–**	0.6
Amounts owed by Group undertakings	**548.8**	656.6
Corporation tax	**–**	6.6
	548.8	667.4
Amounts falling due after more than one year		
12.5% subordinated loan owed by Group undertakings	**429.3**	375.5

7 CREDITORS

Amounts falling due within one year	2006 £m	As restated 2005 £m
Unsecured loan notes	**9.1**	9.2
Amounts owed to Group undertakings	**714.3**	734.0
Corporation tax	**4.7**	–
Other creditors	**–**	0.2
Accruals and deferred income	**0.3**	0.3
	728.4	743.7
Amounts falling due after more than one year		
Preference shares	**0.1**	0.1

The preference shares carry a right to a fixed preferential dividend. They participate in the event of a winding-up and carry the right to attend and vote at general meetings of the Company.

Interest is payable on the unsecured loan notes at a rate of 0.75% below six month LIBOR.

20 NOTES

8 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred tax £m	Property leases £m	Total £m
At 2 October 2005	1.8	1.4	3.2
Charged/(credited) to profit and loss account	5.3	(0.1)	5.2
At 30 September 2006	**7.1**	**1.3**	**8.4**

Deferred tax

	2006 £m	2005 £m
The amount provided in respect of deferred tax is as follows:		
Excess of capital allowances over accumulated depreciation	**7.1**	1.9
Other timing differences	**–**	(0.1)
	7.1	1.8

Deferred tax has been calculated at the tax rates expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted at the balance sheet date.

Property leases

When valuations of leasehold properties (based on future estimated income streams) give rise to a deficit as a result of onerous lease conditions they are recognised as liabilities in provisions. Payments are expected to continue on these properties for periods of 17 to 42 years. The amounts are not discounted as the Directors consider the discounted amounts would not be materially different from the amounts recognised.

9 OPERATING LEASE COMMITMENTS

At 30 September 2006 the Company was committed to making the following payments during the next year in respect of operating leases:

	2006		2005	
	Land and buildings £m	**Other £m**	Land and buildings £m	Other £m
Leases which expire:				
Later than one year and less than five years	**0.3**	**–**	0.1	–
After five years	**4.8**	**–**	5.5	–
	5.1	**–**	5.6	–

10 SHARE CAPITAL

	2006		2005	
Authorised	**Number m**	**Value £m**	Number m	Value £m
Ordinary shares of 29.5p each	**101.7**	**30.0**	101.7	30.0

	2006		2005	
Issued and fully paid	**Number m**	**Value £m**	Number m	Value £m
Ordinary shares of 29.5p each:				
At beginning of period	**77.3**	**22.8**	72.8	21.4
Allotted on acquisitions	**–**	**–**	3.9	1.2
Allotted under share option schemes	**0.6**	**0.2**	0.6	0.2
At end of period	**77.9**	**23.0**	77.3	22.8

Further information on share capital is provided in note 27 to the Group financial statements.

20 NOTES

11 RESERVES

	Share premium account £m	Revaluation reserve £m	Capital redemption reserve £m	Own shares £m	Profit and loss account £m	Total £m
At 2 October 2005 as previously reported	185.1	84.1	6.0	(1.0)	518.4	792.6
Prior period adjustment:						
Dividends payable	–	–	–	–	19.8	19.8
Dividends receivable	–	–	–	–	(0.2)	(0.2)
At 2 October 2005 as restated	185.1	84.1	6.0	(1.0)	538.0	812.2
Premium arising on issue of shares	2.4	–	–	–	–	2.4
Sale of own shares from share trust	–	–	–	0.9	–	0.9
Purchase of treasury shares	–	–	–	(14.8)	–	(14.8)
Purchase of own shares for LTIP	–	–	–	(6.6)	–	(6.6)
Reversal of past revaluation surplus	–	(2.0)	–	–	–	(2.0)
Disposal of properties	–	(0.7)	–	–	0.7	–
Transfer from revaluation reserve	–	(0.2)	–	–	0.2	–
Profit for the period	–	–	–	–	3.9	3.9
At 30 September 2006	**187.5**	**81.2**	**6.0**	**(21.5)**	**542.8**	**796.0**

No profit and loss account is presented for the Company as permitted by Section 230 of the Companies Act 1985. The retained profit is after charging dividends of £31.0m.

The capital redemption reserve arose on share buy-backs in previous periods and is not distributable.

Details of own shares are provided in note 28 to the Group financial statements.

The Company's profit and loss account reserve includes £156.9m (2005: £156.9m) of unrealised profit from the sale of pubs to its subsidiary during the period ended 1 October 2005.

Prior period adjustments and impact of new standards

The prior period adjustments relate to the implementation of FRS 20 and FRS 21, whilst FRS 26 does not affect comparatives and is only applied to the current period. FRS 28 has no impact on the financial statements.

The adoption of FRS 21 has resulted in an increase in shareholders' funds of £19.6m at 2 October 2005 due to the exclusion of the proposed dividends at 1 October 2005.

The adoption of FRS 25 has resulted in the reclassification of £0.1m of preference shares from equity to liabilities.

The adoption of FRS 26 has not had an impact on the closing position at 30 September 2006.

20 NOTES

12 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2006 £m	As restated 2005 £m
Profit on ordinary activities after taxation	**34.9**	167.3
Dividends paid	**(31.0)**	(27.0)
Profit for the period transferred to reserves	**3.9**	140.3
Proceeds of ordinary share capital issued	**2.6**	3.8
Purchase of treasury shares	**(14.8)**	–
Purchase of own shares for LTIP	**(6.6)**	–
Sale of own shares from share trust	**0.9**	0.3
Revaluation of properties	**–**	6.9
Reversal of past revaluation surplus	**(2.0)**	–
Net (reduction)/addition to shareholders' funds	**(16.0)**	151.3
Opening shareholders' funds	**835.0**	683.7
Closing shareholders' funds	**819.0**	835.0

Prior period adjustment and impact of new standards
The adoption of FRS 20 and FRS 21 resulted in a net increase in shareholders' funds of £19.5m at 1 October 2005.

13 CONTINGENT LIABILITIES

The Company has provided guarantees to Barclays Bank PLC in relation to loans entered into by tenants to finance the purchase of certain fixtures and fittings. The total amount guaranteed under these arrangements is £1.4m (2005: £1.1m).

The Company has provided guarantees amounting to £225.6m (2005: £nil) in respect of discounted convertible loan notes issued by one of its subsidiaries to a number of its other subsidiaries, and repayable in 2036. In the event of conversion in 2007 and 2008, these existing guarantees will be replaced with new guarantees amounting to £20.5m in respect of new loan notes to be issued on conversion.

The Company has also entered into a Deed of Guarantee with Wolverhampton & Dudley Breweries (Trading) Limited ("Trading") and the Trustees of The Wolverhampton & Dudley Breweries, PLC Pension and Life Assurance Scheme ("the Scheme") whereby it guarantees to the Trustees the ongoing obligations of Trading to contribute to the Scheme and the obligations of Trading to contribute to the Scheme in the event of a debt becoming due under section 75 of the Pensions Act 1995 on the occurrence of either Trading entering liquidation or the Scheme winding-up.

14 POST BALANCE SHEET EVENTS

On 1 December 2006 the Company announced its intention to proceed with a four-for-one share split, subject to shareholder approval at an extraordinary general meeting on 8 January 2007. The nominal value of the shares will change from 29.5p to 7.375p.

On 1 December 2006 the Company announced it intends to change its name to Marston's PLC, subject to shareholder approval at an extraordinary general meeting on 8 January 2007.

PITCHER & PIANO, OCEAN VILLAGE, SOUTHAMPTON

21 SHAREHOLDER INFORMATION

Financial calendar

Current financial period ended	30 September 2006
Next financial period ends	29 September 2007
Annual General Meeting	26 January 2007

Announcements

Half-year results	25 May 2007
Full-year results	30 November 2007

Dividend payment dates

Preference shares	
Final dividend	31 December 2006
Interim dividend	30 June 2007
Ordinary shares	
Final dividend	31 January 2007
Interim dividend	30 June 2007

Interest payment dates

Loan stock	15 January 2007
	15 April 2007
	15 July 2007
	15 October 2007
Loan notes	
(issued on the acquisition of Burtonwood,	30 April 2007
Jennings and Celtic Inns)	31 October 2007

Equivalent market prices on 31 March 1982

The Wolverhampton & Dudley Breweries, PLC	
Preference shares	34.5p
Ordinary shares	94.5p
Burtonwood, PLC	
Ordinary shares	100.63p

Advisers

Registrar and transfer office
Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN9 9DA. Shareholder queries:- 0870 600 3970
www.shareview.co.uk

Auditors
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Merchant bankers
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Solicitors
Freshfields Bruckhaus Deringer, 65 Fleet Street, London EC4Y 1HS
Wragge & Co, 55 Colmore Row, Birmingham, B3 2AS

Stockbrokers
UBS Investment Bankers, 1 Finsbury Avenue, London, EC2M 2PP

Company Secretary and registered office
Anne-Marie Brennan, PO Box 26, Park Brewery,
Bath Road, Wolverhampton WV1 4NY.
Registered number 31461. Telephone 01902 711811.

Website
You may wish to view the Company websites containing details of Group activities and investor information. The e-mail addresses are:
www.wdb.co.uk
www.pathfinderpubs.co.uk
www.tupc.co.uk
www.pitcherandpiano.com
www.wdbbrands.co.uk

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22 NOTICE OF MEETING

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek immediately your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial advisor duly authorised under the Financial Services and Markets Act 2000. If you have sold or otherwise transferred all of your shares in the Company, please send this document, and the accompanying form of proxy, at once to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee.

Notice is hereby given that the one hundred and nineteenth annual general meeting of The Wolverhampton & Dudley Breweries, PLC will be held at Edgbaston Cricket Ground, Edgbaston, Birmingham B5 7QU on Friday 26 January 2007 at 1200 hours for the following purposes:

Ordinary business

1 To receive and to adopt the Company's accounts, and the reports of the Directors and Independent Auditors for the 52 weeks ended 30 September 2006.
2 To declare and to confirm dividends.
3 To re-elect David Thompson.
4 To re-elect Ralph Findlay.
5 To re-elect Alistair Darby.
6 To elect Rosalind Cuschieri.
7 To re-appoint PricewaterhouseCoopers LLP as Independent Auditors of the Company and to authorise the Directors to fix their remuneration.

Special business

To propose the following as ordinary resolutions:
8 To approve the Directors' remuneration report for the year ended 30 September 2006 as set out on pages 27 to 33 of the annual report 2006.
9 That the Board be and it is hereby generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate nominal amount of £7,023,084 provided that this authority shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or, if earlier, 26 April 2008, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Board may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

To propose the following as special resolutions:
10 That subject to the passing of the previous resolution the Board be and it is hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94(2) and Section 94(3A) of the said Act) for cash pursuant to the authority conferred by the previous resolution as if sub-section (1) of Section 89 of the said Act did not apply to any such allotment provided that this power shall be limited:
a to the allotment of equity securities in connection with an issue in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them, but subject to such exclusions or other arrangements as the Board may deem necessary or expedient to deal with fractional entitlements or legal problems which may arise in any overseas territory or under the requirements of any regulatory body or any stock exchange; and
b to the allotment (otherwise than pursuant to sub paragraph (a) above) of equity securities up to an aggregate nominal value of £1,148,846.

This authority shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution, or, if earlier, 26 April 2008, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of Section 94(3A) of the Companies Act 1985 as if in the first paragraph of this resolution the words "pursuant to the authority conferred by the previous resolution" were omitted.

11 That the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of section 163(3) of the Companies Act 1985) of ordinary shares in its capital, subject as follows:

a the maximum number of shares which may be so acquired is 46,701,552 ordinary shares of 7.375 pence each if resolution number 1 to be proposed at the Extraordinary General Meeting of the Company convened for 9.00 am on 8 January 2007 becomes wholly unconditional and effective or, if such resolution does not become wholly unconditional and effective, 11,675,388 ordinary shares of 29.5 pence each;
b the minimum price (exclusive of expenses) which may be paid for such shares is 7.375 pence or 29.5 pence per share (as the case may be);
c the maximum price (exclusive of expenses) which may be paid for a share is the higher of: (i) an amount equal to 105% of the average of the middle market quotations of the ordinary shares of the Company as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is contracted to be purchased; and (ii) an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading System; and
d the authority conferred by this resolution shall expire at the conclusion of the next annual general meeting of the Company or, if earlier, 26 April 2008 (except in relation to the purchase of shares the contract for which was made before the expiry of such authority and which might be concluded wholly or partly after such expiry).

By order of the Board

Anne-Marie Brennan
Secretary
1 December 2006

22 NOTICE OF MEETING

Notes

1 A shareholder entitled to attend and vote at the meeting is also entitled to appoint one or more proxies to attend and, on a poll, vote instead of the shareholder. A proxy need not be a shareholder. Shareholders or their duly appointed proxies are requested to bring proof of identity with them to the meeting in order to confirm their identity for security reasons.

2 The form(s) of proxy must be executed by or on behalf of the shareholder making the appointment. A corporation may execute the form(s) of proxy either under its common seal or under the hand of a duly authorised officer. A shareholder may appoint more than one proxy to attend on the same occasion.

3 A shareholder wishing to appoint a proxy should complete the accompanying form(s) of proxy and return (it) (them) to Lloyds TSB Registrars. If you wish to return the form(s) of proxy by post, you should send (it) (them) to The Causeway, Worthing, West Sussex BN99 6DA. To be valid, the completed form(s) of proxy and any power of attorney under which (it is) (they are) executed (or a certified copy thereof) must be received by the Registrars not less than 48 hours before the time appointed for the annual general meeting.

4(a) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the annual general meeting to be held on 26 January 2007 and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

(b) In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 7RA01) by the latest time(s) for receipt of proxy appointments specified in the notice of the annual general meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

(c) CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed (a) voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(d) The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

5 In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, the Company gives notice that only those shareholders entered in the register of members of the Company at close of business on 24 January 2007 or, in the event that the meeting is adjourned, in the register of members 48 hours before the time of any adjourned meeting, will be entitled to attend or vote at the annual general meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register after close of business on 24 January 2007 or, in the event that the meeting is adjourned, in the register of members 48 hours before the time of any adjourned meeting, will be disregarded in determining the rights of any person to attend or vote at the meeting.

6 Shareholders who return the form(s) of proxy or register the appointment of a proxy electronically will still be able to attend the annual general meeting and vote in person if they so wish.

7 The following are available for inspection at the Company's registered office during normal business hours on any weekday (excluding public holidays) and will be available for at least 15 minutes prior to, and during, the annual general meeting:

(a) The register of Directors' interests and those of their immediate families in the share capital of the Company;

(b) Directors' service contracts; and

(c) A copy of the Company's memorandum and articles of association.

WE HAVE BEEN INVOLVED WITH CRICKET FOR YEARS. WITH OUR SUPPORT OF COUNTY CRICKET TEAMS - WARWICKSHIRE, GLOUCESTERSHIRE, SOMERSET, DERBYSHIRE, WORCESTERSHIRE AND MORE RECENTLY SURREY. IT WAS ONLY A MATTER OF TIME BEFORE WE BECAME ENGLAND'S OFFICIAL TWELFTH MAN!

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