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26 May 2006

THE WOLVERHAMPTON & DUDLEY BREWERIES, PLC

INTERIM RESULTS FOR THE 26 WEEKS ENDED 1 APRIL 2006

- Turnover and operating profit growth in each trading division
- Record underlying* earnings per share up 10.0% to 36.2p (2005: 32.9p)
- Interim dividend up 10.0% to 14.52p (2005: 13.20p)
- Underlying operating margin up by 1.0% to 23.6% (2005: 22.6%)
- Underlying profit before taxation up 12.9% to £40.2m (profit before taxation after exceptional items up 20.2% to £41.0 million)
- Pathfinder Pubs like-for-like sales** up by 1.0%: up by 2.5% in the last 9 weeks to 20 May 2006
- The Union Pub Company average profit per pub up 4.4%
- Integration of Celtic Inns completed at the end of March
- Cashflow from operating activities up 72.2% to £99.2m

Ralph Findlay, Chief Executive, commented:

"These good results are the product of combining value adding acquisitions and organic development in each of our trading divisions. Current trading in The Union Pub Company, Pathfinder Pubs and W&DB Brands has been satisfactory and in line with expectations"

All figures have been reported under IFRS and prior years restated.

* 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.

** First half like-for-like sales include the period for 24 weeks to 18 March 2006. This year, the Easter bank holiday, which fell in the first half-year last year, falls in the second half-year.

ENQUIRIES:

The Wolverhampton & Dudley Breweries, PLC Ralph Findlay, Chief Executive Paul Inglett, Finance Director	Tel: 020 7796 4133 on Friday 26 May 2006 only 01902 329516 thereafter
Hudson Sandler Andrew Hayes/Nick Lyon/James White	Tel: 020 7796 4133

To access interviews with Ralph Findlay and Paul Inglett, available in video, audio and text, go to www.cantos.com. High quality images for the media to access and download free of charge are available from Visual Media Online at
www.vismedia.co.uk

Chairman's Statement

These first half-year results include strong growth in turnover and profits reflecting the organic development of the business and acquisitions made over the last 18 months. Good progress has been achieved despite weaker consumer confidence and the impact of higher energy and employment costs as we have exploited the flexibility inherent in our model.

Our acquisitions strategy has brought benefits of additional scale, with our pub estate now numbering 2,358 mainly freehold pubs. This expansion has enabled us to reduce purchasing costs significantly and spread our overheads, as well as to increase our trading geography across England and Wales.

We have maintained our focus on investment across the business, both in pubs and beer brands. As a result, we continue to realise the trading benefits of having one of the highest quality pub estates in the industry whilst our brands business continues to capture market share.

Results

Turnover increased by 9.2% to £281.4 million, reflecting good progress in both pub divisions, and the acquisitions of Burtonwood PLC in January 2005, Jennings Brothers PLC in May 2005 and English Country Inns PLC in September 2005. The acquisition of Celtic Inns in March 2006 did not have a significant impact on these interim results.

Turnover and profit growth was achieved in each of our three trading divisions.

Underlying operating margin increased to 23.6% (2005: 22.6%) despite cost pressure across the business. Good management of costs and acquisition synergies contributed to this improvement.

Underlying profit before taxation increased by 12.9% to £40.2 million. Profit after exceptional items (principally profits relating to property disposals) was £41.0 million (2005: £34.1 million).

Underlying earnings per share increased by 10.0% to 36.2 pence per share (2005: 32.9 pence). Basic earnings per share after exceptional items was 36.2 pence per share (2005: 32.8 pence).

Cashflow from operating activities increased by 72.2% to £99.2 million.

Dividend

The Board declares an interim dividend of 14.52 pence per share (2005: 13.20 pence) which will be paid on 30 June 2006 to those shareholders on the register at the close of business on 9 June 2006. This increase of 10.0% is in line with earnings growth and is consistent with a track record of dividend increases averaging over 10% for the last 30 years.

Prospects

The pressures affecting the pub sector, including regulatory and other cost pressures are not new, and are set to continue. Specifically, current and future risks are presented by the proposed smoking ban in England and Wales (due to be implemented in the summer of 2007), rising energy costs, and the impact of an increasing tax burden and other costs on consumers.

These are all catalysts for further consolidation in the industry. For our part we are well positioned with a strong balance sheet and a low cost of debt. Our integrated business model provides opportunity to create additional value, a factor which has enabled us to make successful acquisitions whilst remaining disciplined about our investment criteria.

Additionally, we have well developed plans for continued investment and organic development, providing momentum for future growth. We remain confident of achieving a satisfactory out-turn for the year as a whole.

David Thompson
Chairman

Chief Executive's review

Business development

These good results are the product of combining value adding acquisitions and organic development in each of our trading divisions.

The integrations of Burtonwood, Jennings and English Country Inns last year were completed quickly, and realised synergy benefits in excess of £6 million per year – ahead of original targets. We completed the acquisition of Celtic Inns, a predominantly freehold estate of 70 mostly tenanted pubs (including 2 pubs acquired shortly after completion) in south Wales and the south of England in March 2006.

These acquisitions are consistent with our clear strategy of investment in predominantly freehold community pubs. It is beneficial that our integrated business model offers opportunities to create additional value. Burtonwood tenants, which were tied to Burtonwood ales when we bought the business, now choose over 60% of their ales from the range brewed by WDB Brands, and have a more extensive choice of lagers and wines and spirits.

Similarly, Jennings tenants and lessees have a wider choice of brands, and the Jennings range of ales has performed well throughout the rest of the estate. The same benefits are being offered to tenants of Celtic Inns.

In addition to extending our trading geography, which now covers all of England and Wales, the increased scale of the business has enabled us to reduce purchasing costs, most significantly in categories such as factored drinks products and food. We now own 2,358 pubs, which means that our buying terms are competitive against even the largest operators in the industry. Additionally, central overheads as a percentage of turnover continue to decline.

Our acquisition strategy and the flexibility of our business model have enabled us to respond effectively to rising costs and regulatory change. Operating margin increased despite the impact of an extra £1 million of employment costs as a result of the higher national minimum wage, and the rise in electricity and gas prices which increased costs by £3 million in the first half-year. As a consequence of these cost increases, 93 smaller managed pubs are being transferred to tenancy or lease during the second half of this financial year.

The implementation of new licensing legislation in November 2005 has not so far produced a significant change in consumer spending patterns, but more civilised closing time arrangements are welcome and relationships with local authorities have been constructive.

In anticipation of the introduction of the proposed smoking ban in England and Wales next summer, we will have invested £8 million in patios, gardens and shelters by the end of this financial year. We have clear plans to invest a further £12 million in the next financial year, and expect to be well prepared to neutralise risks and maximise opportunities.

Pathfinder Pubs – 543 managed pubs (2005: 537 pubs)

Turnover increased by 3.9% to £153.1 million. Total like-for-like sales increased by 1.0% in the 24 weeks to 18 March 2006 compared to a 3.1% increase at the same stage last year.

Underlying operating margin was 16.9% compared to 17.5% last year. This reduction was principally due to higher electricity and gas prices, higher employment costs as a consequence of above inflationary increases in the national minimum wage, and higher Sky TV costs.

Underlying operating profit increased to £25.9 million (2005: £25.8 million).

We aim to develop our estate through organic investment as well as through acquisition. Seven new pubs were opened in the first half-year: The Elms, Lutterworth; West Meon, Hampshire; The Willows, Blackburn; The Talbot, Wigan; The Crows Nest, Seaham; The Cheshire Tavern, Congleton; and The Nags Head, Routh.

Pathfinder Pubs is a market leader in new build pub development, acquiring sites suitable for a range of formats from good value community pubs to Pitcher & Piano bars. Sites acquired are generally freehold, with subsequent returns on investment exceeding 15%. We expect to open 8 more pubs in the second half-year and around 20 in 2006/7.

In the first half-year we also completed 40 major refurbishments, investing an average £327,000 per pub, with expected cash returns on capital invested of at least 20%. This significant investment included 8 pubs from the former Wizard Inns estate, 1 from English Country Inns and 4 Burtonwood managed houses.

Pitcher & Piano, comprising 27 bars, performed strongly. In the first half-year we re-opened 5 bars, having refurbished units in London (Cornhill), York, Swansea, Harrogate and Taunton, the last being the conversion of a former Wizard outlet.

The Union Pub Company – 1,815 pubs (2005: 1,610 pubs)

Total turnover increased by 22.7% to £86.4 million. Like-for-like sales were 1.0% ahead of last year in the 24 weeks to 18 March 2006, with average profit per pub up by 4.4%. As we increase the number of pubs let on longer term lease agreements, profit measures better reflect the overall impact of higher discounts and rent.

Underlying operating margin was 43.9% compared to 42.3% last year. Underlying operating profit increased by 27.2% to £37.9 million. This increase was achieved through the effective integration of the Burtonwood and Jennings estates last year.

The estate now includes 730 leased pubs and 1,085 pubs on shorter term agreements. We will continue to offer leases to tenants of suitable pubs, and we expect that the proportion of our estate let on longer term agreements will steadily increase to around 60%. For the right pubs, security, the ability to assign, and high discounts are particularly attractive features of our 'Open House' lease. Within the former Burtonwood estate, which was mainly let on short term agreements when we acquired the business, new Union Pub Company agreements are being processed in respect of 70% of the tenants.

During the period we completed 37 investment schemes across the estate, investing £7.4 million in total in the tenanted estate. Three trading pubs were acquired for £1.6 million, and 8 pubs were sold, realising proceeds of £5.2 million.

In March, we acquired Celtic Inns for £43.1 million. Of the 70 pubs acquired, 63 are now operated by The Union Pub Company. This acquisition has extended our trading geography for leased and tenanted pubs further southwards, and is consistent with our strategy of investing in good quality freehold pubs.

WDB Brands

Total turnover increased by 5.0% to £41.9 million. Underlying operating margin was 19.3% compared to 20.1% last year as a consequence of higher energy prices and a competitive market. Underlying operating profit increased to £8.1 million (2005: £8.0 million).

The UK beer market has declined by 2% in the last twelve months. We have, however, continued to gain market share. Over the last twelve months our premium ale range, which includes Marston's Pedigree, Cumberland Ale and Old Empire, has grown by over 12%. Our standard ales, comprising Banks's, Mansfield, and Marston's beers, have outperformed the market with particularly strong growth in Marston's Smooth. Market share increased in both on-trade and off-trade and is now 7.6% of the UK ale market.

Investment in marketing was similar to last year, being maintained at £2.6 million, with particular emphasis on the Marston's Pedigree 'Don't Compromise' campaign and 'Caskforce' quality initiative.

Current trading

Current trading in The Union Pub Company, Pathfinder Pubs and WDB Brands has been satisfactory and in line with expectations. In the 9 weeks to 20 May 2006 like-for-like sales in Pathfinder Pubs were 2.5% ahead of last year.

Ralph Findlay
Chief Executive

Financial review

International Financial Reporting Standards (IFRS)

W&DB has adopted IFRS in preparing its group accounts for 2005/06. Restated comparisons for the year ended 1 October 2005 have already been published on our website www.wdb.co.uk.

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

Trading overview

	Turnover		**Underlying operating profit** (see note 2)		**Margin**	
	2006 £m	2005 £m	**2006 £m**	2005 £m	**2006 %**	2005 %
Pathfinder Pubs	**153.1**	147.3	**25.9**	25.8	**16.9**	17.5
The Union Pub Co.	**86.4**	70.4	**37.9**	29.8	**43.9**	42.3
WDB Brands	**41.9**	39.9	**8.1**	8.0	**19.3**	20.1
Central costs	**-**	-	**(5.5)**	(5.3)	**(2.0)**	(2.1)
Group	**281.4**	257.6	**66.4**	58.3	**23.6**	22.6

All of the key financial measures have shown strong growth, including a 9.2% increase in turnover, a 13.9% increase in underlying operating profit, a 12.9% increase in underlying profit before tax, and a 10.0% increase in underlying earnings per share. As a consequence, the dividend per share has increased by 10.0% to 14.52 pence per share, and the dividend is covered 2.5 times by earnings per share.

The impact of Easter falling into the second half this year compared to the first half last year has resulted in moving approximately £3.0 million of turnover and £1.2 million of operating profit into the second half of the year.

Increased margin

The underlying operating margin of the Group increased by 1.0% to 23.6%. This increase was achieved despite some significant cost pressures, including a £3 million increase in utility costs across the Group. These cost increases have been more than offset by the synergy benefits achieved from successfully integrating our recent acquisitions and excellent cost management. Also the increased proportion of longer leases in the Union Pub Company has led to higher margins in this part of the business.

Strong cashflow

The business continues to be strongly cash generative – with cashflow from operating activities increasing by 72.2% to £99.2 million. Free cashflow, after the payment of interest, tax and maintenance capital, increased by 177.9% to £64.2 million.

Acquisition of Celtic Inns

Celtic Inns was acquired on 17 March 2006 for £43.1 million including a consideration of £18.1 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 £15.9 million (see note 7).

Financing and Balance sheet

The balance sheet remains very strong, supported by a property portfolio of predominantly freehold, community pubs valued at around £1.6 billion. On a 12-month pro-forma basis to 1 April 2006 the ratio of net debt to EBITDA (earnings before interest, taxation, depreciation and amortisation) was 4.7 times and interest cover 3.0 times. Headroom in our bank facility as at 1 April 2006 was £112 million.

Taxation

The underlying rate of taxation (before exceptional items) has decreased from 31.5% in 2005 to 30.3% in 2006.

Exceptional items

There was a nil after tax impact from exceptional items. This comprised a £0.8 million profit on the sale of fixed assets offset by a taxation cost of £0.8 million representing the tax charge associated with the sale of these assets, of which £0.5 million relates to a prior period adjustment.

Paul Inglett
Finance Director

GROUP INCOME STATEMENT (UNAUDITED)

for the 26 weeks ended 1 April 2006

	26 weeks to 1 April 2006			26 weeks to 2 April 2005			52 weeks to 1 October 2005
	Before exceptional items £m	**Exceptional items £m**	**Total £m**	Before exceptional items £m	Exceptional items £m	Total £m	Total £m
Revenue	**281.4**	**-**	**281.4**	257.6	-	257.6	556.1
Operating expenses	**(215.0)**	**0.8**	**(214.2)**	(199.3)	(1.5)	(200.8)	(421.3)
Operating profit	**66.4**	**0.8**	**67.2**	58.3	(1.5)	56.8	134.8
Finance costs							
- Excluding retirement benefits	**(25.5)**	**-**	**(25.5)**	(21.5)	-	(21.5)	(78.2)
- Retirement benefits	**(1.3)**	**-**	**(1.3)**	(1.3)	-	(1.3)	(2.6)
	(26.8)	**-**	**(26.8)**	(22.8)	-	(22.8)	(80.8)
Finance income	**0.6**	**-**	**0.6**	0.1	-	0.1	0.2
Net finance costs	**(26.2)**	**-**	**(26.2)**	(22.7)	-	(22.7)	(80.6)
Profit before taxation	**40.2**	**0.8**	**41.0**	35.6	(1.5)	34.1	54.2
Income tax expense	**(12.2)**	**(0.8)**	**(13.0)**	(11.2)	1.4	(9.8)	(15.1)
Profit for the period attributable to equity shareholders	**28.0**	**-**	**28.0**	24.4	(0.1)	24.3	39.1

All results relate to continuing operations.

Earnings per share:

	26 weeks to 1 April 2006	26 weeks to 2 April 2005	52 weeks to 1 October 2005
Basic earnings per share	**36.2p**	32.8p	51.9p
Basic earnings per share before exceptional items	**36.2p**	32.9p	81.7p
Diluted earnings per share	**35.9p**	32.4p	51.2p
Diluted earnings per share before exceptional items	**35.9p**	32.5p	80.7p

GROUP STATEMENT OF RECOGNISED INCOME AND EXPENSE (UNAUDITED)

for the 26 weeks ended 1 April 2006

	26 weeks to 1 April 2006 £m	26 weeks to 2 April 2005 £m	52 weeks to 1 October 2005 £m
Profit for the period	**28.0**	24.3	39.1
(Expense)/income recognised directly in equity:			
Cash flow hedges - losses taken to equity	**(3.3)**	-	-
Unrealised surplus on revaluation of properties	**0.2**	0.3	5.8
Tax on items taken directly to equity	**0.4**	-	0.5
	(2.7)	0.3	6.3
Total recognised income for the period	**25.3**	24.6	45.4

GROUP CASH FLOW STATEMENT (UNAUDITED)

for the 26 weeks ended 1 April 2006

	26 weeks to 1 April 2006	26 weeks to 2 April 2005	52 weeks to 1 October 2005
	£m	£m	£m
Operating activities			
Operating profit	**67.2**	56.8	134.8
Depreciation and amortisation	**20.3**	18.9	38.3
EBITDA*	**87.5**	75.7	173.1
Working capital and non-cash movements	**4.0**	(7.4)	(54.0)
Income tax refunded/(paid)	**7.7**	(10.7)	(19.9)
Net cash inflow from operating activities	**99.2**	57.6	99.2
Investing activities			
Interest received	**0.7**	0.3	0.5
Sales of property, plant and equipment	**15.9**	8.8	14.8
Investment in plant and equipment for existing business	**(39.1)**	(35.4)	(63.9)
Purchase of new pubs/site developments	**(11.7)**	(19.3)	(34.2)
Movements in other non-current assets	**(0.5)**	2.3	5.8
Acquisition of subsidiaries, net of cash received	**(20.4)**	(78.3)	(140.1)
Repayment of debt of subsidiary upon acquisition	**(10.0)**	-	-
Net cash outflow from investing activities	**(65.1)**	(121.6)	(217.1)
Financing activities			
Equity dividends paid	**(19.8)**	(17.6)	(27.8)
Issue of shares	**1.3**	0.8	2.6
Sale of own shares from share trust	**0.8**	0.1	0.3
Purchase of own shares by share trust	**(4.6)**	-	-
Interest paid	**(21.7)**	(22.8)	(50.2)
Arrangement costs of new bank facilities	**-**	(0.7)	(1.8)
Proceeds from issue of securitised debt	**-**	-	805.0
Issue costs paid on securitised debt	**(0.7)**	-	(12.5)
Repayment of securitised debt	**(4.7)**	-	-
Advance/(repayment) of loans	**27.8**	117.1	(281.2)
Settlement of debentures	**-**	-	(287.9)
Repayment of loan notes	**-**	-	(0.1)
Capital element of finance leases repaid	**(0.1)**	(0.1)	(0.1)
Net cash (outflow)/inflow from financing activities	**(21.7)**	76.8	146.3
Increase in cash and cash equivalents in the period	**12.4**	12.8	28.4
Reconciliation of net cash flow to movement in net debt			
Increase in cash and cash equivalents in the period	**12.4**	12.8	28.4
Cash inflow from increase in debt	**(23.0)**	(116.3)	(278.6)
Change in debt resulting from cash flows	**(10.6)**	(103.5)	(250.2)
Net debt acquired with subsidiaries	**(14.2)**	(43.8)	(65.9)
Non-cash movements	**(1.3)**	(7.0)	4.8
Movement in net debt in the period	**(26.1)**	(154.3)	(311.3)
Net debt at beginning of period	**(871.7)**	(560.4)	(560.4)
Net debt at end of period	**(897.8)**	(714.7)	(871.7)

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

GROUP BALANCE SHEET (UNAUDITED)

as at 1 April 2006

	1 April 2006	2 April 2005	1 October 2005
	£m	£m	£m
Assets			
Non-current assets			
Intangible assets	**5.2**	0.9	3.9
Goodwill	**147.1**	117.0	131.0
Property, plant and equipment	**1,594.3**	1,445.3	1,551.0
Other non-current assets	**24.2**	23.4	22.1
	1,770.8	1,586.6	1,708.0
Current assets			
Inventories	**14.6**	13.5	13.6
Assets held for resale	**2.7**	-	-
Trade and other receivables	**50.1**	49.8	54.0
Current tax assets	**-**	-	5.9
Cash and cash equivalents	**96.9**	24.9	76.1
	164.3	88.2	149.6
Liabilities			
Current liabilities			
Borrowings	**(64.0)**	(0.2)	(53.8)
Derivative financial instruments	**(0.6)**	(1.8)	-
Trade and other payables	**(100.5)**	(102.8)	(92.4)
Current tax liabilities	**(12.7)**	(10.8)	-
	(177.8)	(115.6)	(146.2)
Non-current liabilities			
Borrowings	**(930.7)**	(739.4)	(894.0)
Derivative financial instruments	**(17.8)**	(9.5)	(0.9)
Pension liabilities	**(42.6)**	(69.0)	(42.6)
Deferred tax liabilities	**(123.6)**	(101.5)	(118.8)
Other non-current liabilities	**(0.9)**	(1.9)	(0.8)
Provisions	**(2.1)**	(1.2)	(2.2)
	(1,117.7)	(922.5)	(1,059.3)
Net assets	**639.6**	636.7	652.1
Shareholders' equity			
Equity share capital	**22.9**	22.7	22.9
Share premium account	**186.4**	210.7	185.1
Merger reserve	**41.5**	41.5	41.5
Revaluation reserve	**311.6**	306.0	311.2
Capital redemption reserve	**6.0**	6.0	6.0
Hedging reserve	**(17.6)**	-	-
Retained earnings	**88.8**	49.8	83.4
Shareholders' equity	**639.6**	636.7	650.1
Minority interest in equity	-	-	2.0
Total equity	**639.6**	636.7	652.1

NOTES

1 Basis of preparation of accounts

These interim financial statements have been prepared in accordance with the Group's accounting policies as set out in its International Financial Reporting Standards (IFRS) adoption statement released on 28 March 2006, which is available at www.wdb.co.uk. The IFRS adoption statement restates the consolidated financial information as at 2 October 2004 (being the date of transition), for the year ended 1 October 2005 and for the 26 weeks ended 2 April 2005, which were previously reported under UK GAAP. The impact of the IFRS restatement has been summarised in note 12.

The financial information contained in these interim financial statements has been prepared on the basis of IFRS that the Directors expect to be applicable as at 30 September 2006. IFRS currently in issue are subject to amendment and interpretation by the IASB and there is an ongoing process of review and endorsement by the European Commission. For these reasons it is possible that the information presented here may be subject to change before its inclusion in the full year financial statements.

The financial information for the year ended 1 October 2005 is extracted from the audited financial statements for that year, which have been delivered to the Registrar of Companies, and subsequently restated for the transition to IFRS. The auditors' report was unqualified and did not contain a statement under Section 237 (2) or (3) of The Companies Act 1985.

As permitted under IFRS 1 'First time adoption of International Financial Reporting Standards' the comparative figures have not been adjusted to take account of IAS 32 'Financial instruments: disclosure and presentation' and IAS 39 'Financial instruments: recognition and measurement'. These standards have been applied from 2 October 2005 and the impact on equity is disclosed in note 11. IFRS 5 'Non-current assets held for sale and discontinued operations' has also been adopted with effect from 2 October 2005 and has not been applied retrospectively.

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.

IAS 34 'Interim Financial Reporting' has not been adopted in the United Kingdom and hence this report is not prepared in accordance with this standard.

Actuarial valuations of the Group's defined benefit pension schemes are carried out on an annual basis and hence the interim financial statements do not reflect any actuarial gains or losses.

2 Segmental analysis

	Revenue £m	Operating profit before exceptional items £m	Exceptional items £m	Operating profit after exceptional items £m	Net assets £m
	1 April 2006				
Continuing operations:					
Pathfinder Pubs	**153.1**	**25.9**	**-**	**25.9**	**752.3**
The Union Pub Company	**86.4**	**37.9**	**0.1**	**38.0**	**816.3**
WDB Brands	**41.9**	**8.1**	**(0.1)**	**8.0**	**108.3**
Central	**-**	**(5.5)**	**0.8**	**(4.7)**	**15.2**
	281.4	**66.4**	**0.8**	**67.2**	**1,692.1**
Exceptional items	**-**	**0.8**	**-**	**-**	**-**
Debt, tax and derivatives	**-**	**-**	**-**	**-**	**(1,052.5)**
	281.4	**67.2**	**0.8**	**67.2**	**639.6**

Included in the above is revenue of £0.5m, operating profit before and after exceptional items of £nil and net assets of £2.2m in relation to Celtic Inns (see note 7) which have not been separately analysed.

	Revenue £m	Operating profit before exceptional items £m	Exceptional items £m	Operating profit after exceptional items £m	Net assets £m
	2 April 2005				
Continuing operations:					
Pathfinder Pubs	147.3	25.8	(0.2)	25.6	679.7
The Union Pub Company	70.4	29.8	(1.5)	28.3	703.3
WDB Brands	39.9	8.0	(0.7)	7.3	75.8
Central	-	(5.3)	0.9	(4.4)	16.2
	257.6	58.3	(1.5)	56.8	1,475.0
Exceptional items	-	(1.5)	-	-	-
Debt, tax and derivatives	-	-	-	-	(838.3)
	257.6	56.8	(1.5)	56.8	636.7

As described in the financial statements to 1 October 2005, inter-divisional transfer terms and the method of allocating central overheads were amended following the refinancing that occurred during that year. The operating profit comparatives above have been restated to reflect these changes.

In addition, following the transition to IFRS, the goodwill asset has been reviewed and reallocated between the divisions. This has also been reflected in the above comparatives.

3 Exceptional items

	1 April 2006 £m	2 April 2005 £m
Goodwill impairment following disposals of property, plant and equipment	**-**	(0.5)
Costs of reorganisation of newly acquired subsidiaries	**-**	(2.1)
Profit on disposal of property, plant and equipment	**0.8**	1.1
	0.8	(1.5)

NOTES

4 Finance costs and income

	1 April 2006 £m	2 April 2005 £m
Bank interest payable	**2.9**	12.7
Securitised debt/debenture interest payable	**21.3**	8.3
Unwinding of premium	**-**	(0.9)
Other interest payable	**0.7**	0.2
Amortisation of issue costs on securitised debt	**0.5**	-
Amortisation of issue costs on bank loan	**0.1**	1.2
Net finance expense in respect of retirement benefits	**1.3**	1.3
Total finance costs	**26.8**	22.8
Finance income	**(0.6)**	(0.1)
Net finance costs	**26.2**	22.7

5 Income tax expense

The income tax expense for the 26 weeks ended 1 April 2006 is calculated by applying an estimate of the effective tax rate for the year ending 30 September 2006.

	1 April 2006 £m	2 April 2005 £m
Current tax	**11.4**	7.6
Deferred tax	**1.6**	2.2
	13.0	9.8

6 Earnings per ordinary share

	1 April 2006			2 April 2005		
	Earnings £m	**Weightedaverage no. of shares m**	**Per share amount p**	Earnings £m	Weighted average no. of shares m	Per share amount p
Basic earnings per share	**28.0**	**77.3**	**36.2**	24.3	74.1	32.8
Diluted earnings per share	**28.0**	**77.9**	**35.9**	24.3	75.0	32.4
Underlying earnings per share figures						
Basic earnings per share before exceptional items	**28.0**	**77.3**	**36.2**	24.4	74.1	32.9
Diluted earnings per share before exceptional items	**28.0**	**77.9**	**35.9**	24.4	75.0	32.5

Basic earnings per share is calculated by dividing the profit after tax by the weighted average number of shares in issue during the period excluding those held in the Employee Share Ownership Plan and Long Term Incentive Plan.

Diluted earnings per share is calculated by adjusting the basic earnings per share to assume the notional exercise of the weighted average number of ordinary share options outstanding during the period. The effect of dilutive options is to increase the weighted average number of shares by 0.6m (2005: 0.9m).

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

7 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 1 April 2006.

		Fair value adjustments		Provisional
	Book value	Revaluations	Other	fair value
	£m	£m	£m	£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	(1.8)	-	-	(1.8)
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	**2.0**	**0.8**	**(0.6)**	**2.2**
Consideration (including acquisition fees)				
Cash				**17.4**
Loan notes				**0.7**
Total consideration				**18.1**
Goodwill arising on consolidation				**15.9**

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 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	17.4
Net overdrafts of subsidiary	0.8
	18.2
Acquisition of debt	
Immediate repayment of subsidiary's debt	10.0
Net cash outflow in respect of the acquisition	28.2

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.

8 Acquisition of English Country Inns

On 15 September 2005 the Group acquired English Country Inns PLC. The fair value adjustments stated in the financial statements for the year ended 1 October 2005 are now confirmed.

An additional cash consideration of £2.2m was paid in the period to 1 April 2006, which 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.

NOTES

9 Working capital and non-cash movements

	1 April 2006 £m	2 April 2005 £m	1 October 2005 £m
Income from fixed asset investments	**(0.2)**	(0.1)	(0.3)
Increase in pension cost provision	**-**	(1.4)	(32.2)
(Increase)/decrease in inventories	**(1.0)**	1.0	1.5
Decrease/(increase) in trade and other receivables	**3.0**	(0.7)	(0.8)
Increase/(decrease) in trade and other payables	**3.0**	(5.8)	(20.3)
Net operating income with no cash impact	**(0.8)**	(0.4)	(1.9)
Working capital and non-cash movements	**4.0**	(7.4)	(54.0)

10 Analysis of net debt

	1 April 2006 £m	Cash flow £m	Non-cash flow £m	Acquisition £m	1 October 2005 £m
Cash and cash equivalents					
Cash at bank and in hand	**96.9**	20.8	-	-	76.1
Bank overdraft	**(44.0)**	(8.4)	-	-	(35.6)
	52.9	12.4	-	-	40.5
Debt due within one year					
Loan notes	**(9.9)**	-	(0.7)	-	(9.2)
Bank loans	**0.2**	14.2	-	(14.2)	0.2
Securitised debt	**(10.2)**	4.7	(5.8)	-	(9.1)
Finance leases	**(0.1)**	0.1	(0.1)	-	(0.1)
	(20.0)	19.0	(6.6)	(14.2)	(18.2)
Debt due after one year					
Bank loans	**(153.2)**	(42.0)	(0.1)	-	(111.1)
Securitised debt	**(777.3)**	-	5.3	-	(782.6)
Finance leases	**(0.2)**	-	0.1	-	(0.3)
	(930.7)	(42.0)	5.3	-	(894.0)
	(897.8)	(10.6)	(1.3)	(14.2)	(871.7)

Bank loans due within one year represent unamortised issue costs expected to be charged within the next year.

11 Movements in total equity

	1 April 2006 £m	2 April 2005 £m	1 October 2005 £m
Total equity at beginning of the period	**652.1**	583.7	583.7
Effect on equity of adoption of IAS 32 and IAS 39 on 2 October 2005	**(14.3)**	-	-
Restated total equity at beginning of the period	**637.8**	583.7	583.7
Total recognised income and expense for the period	**25.3**	24.6	45.4
Dividends paid	**(19.8)**	(16.9)	(27.0)
Proceeds of ordinary share capital issued	**1.3**	2.0	3.8
Merger reserve on Burtonwood acquisition	-	41.5	41.5
Sale of own shares from share trust	**0.8**	0.1	0.3
Purchase of own shares by share trust	**(4.6)**	-	-
Tax in relation to share based payments	**0.8**	1.7	2.4
Equity minority interests	**(2.0)**	-	2.0
Net movement in total equity	**1.8**	53.0	68.4
Total equity at end of the period	**639.6**	636.7	652.1

NOTES

12 Impact of adoption of IFRS on prior periods

	26 weeks to 2 April 2005			Year to 1 October 2005		
	Profit before tax and exceptional items £m	Profit before tax after exceptional items £m	Net assets £m	Profit before tax and exceptional items £m	Profit before tax after exceptional items £m	Net assets £m
As stated under UK GAAP	36.0	32.6	704.3	90.1	47.9	758.5
Retirement benefits	(0.5)	(0.5)	(45.8)	(0.6)	(0.6)	(45.9)
Share based payments	0.1	0.1	3.2	0.2	0.2	2.5
Property revaluations	-	(1.7)	52.0	-	(0.4)	-
Deferred tax	-	-	(90.7)	-	-	(89.9)
Dividends	-	-	10.1	-	-	19.8
Goodwill	-	3.6	3.6	-	7.1	7.1
Total adjustments	(0.4)	1.5	(67.6)	(0.4)	6.3	(106.4)
Restated under IFRS	35.6	34.1	636.7	89.7	54.2	652.1

The impact of deferred tax has been included in each of the individual items above.

13 Post balance sheet event

An interim dividend of £11.3m, being 14.52p (2005: 13.20p) per ordinary share and 3.00p (2005: 3.00p) per preference share, has been proposed and will be paid on 30 June 2006 to those shareholders on the registers at the close of business on 9 June 2006.

These financial statements do not reflect this dividend payable.

14 Interim report

The interim report was approved by the Board on 26 May 2006.

15 Copies

Copies of this report have been sent to shareholders and are available to the public on request from: The Company Secretary, The Wolverhampton & Dudley Breweries, PLC, PO Box 26, Park Brewery, Wolverhampton, WV1 4NY.