W&DB
The Wolverhampton & Dudley Breweries, PLC
P.O. Box 26, Park Brewery, Bath Road
Wolverhampton. England WV1 4NY
Telephone: 01902 711811 Fax: 01902 429136
www.fullpint.co.uk

2 December 2005

THE WOLVERHAMPTON & DUDLEY BREWERIES, PLC
PRELIMINARY RESULTS FOR THE YEAR ENDED 1 OCTOBER 2005

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

- Record underlying* earnings per share up 11.3% to 84.4 pence (2004: 75.8 pence)
  - basic earnings per share of 44.3 pence (2004: 66.7 pence).
- Total dividend for the year up 10.0% to 38.86 pence per share (2004: 35.32 pence).
- Underlying profit before taxation up 16.0% to £90.1 million (2004: £77.7 million).
  Profit before taxation and after goodwill and exceptionals £47.9 million (2004: £70.2 million).
- The Union Pub Company like-for-like sales up 2.8%.
- Pathfinder Pubs like-for-like sales up 2.8%.
- Turnover and profit growth was achieved in each of the three trading divisions.
- Successful integration of Burtonwood PLC, Jennings Brothers PLC and English Country Inns PLC ahead of schedule with expected synergy benefits exceeded.
- Successful refinancing of the Group's debt through a £805 million securitisation in August 2005.

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

Ralph Findlay, Chief Executive, commented:
"Our results were achieved by continuing to manage cost pressures and improve operational efficiency, combined with an absolute focus on delivering quality and value to our customers. As a result, we were able to deliver good organic growth whilst acquiring businesses that met our stringent acquisition criteria.

"Although weaker consumer confidence has produced more subdued trading conditions since the year-end, like-for-like sales are marginally positive against strong comparables in both pub divisions and our performance overall is in line with our expectations. Margins remain firm and costs well controlled."

ENQUIRIES:

The Wolverhampton & Dudley Breweries, PLC
Ralph Findlay, Chief Executive
Paul Inglett, Finance Director
Tel: 020 7796 4133 on Friday 2 December 2005 only
01902 329516 thereafter

Hudson Sandler
Andrew Hayes / Nick Lyon /
Wendy Baker
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

We have achieved strong results across the business, building upon the progress of the previous financial year. This performance demonstrates that our model and approach is well suited to the current trading environment, enabling us to manage cost pressures effectively and to meet increasing customer demand for good quality outlets and value for money. Our high quality, predominantly freehold estate of 2,290 pubs across England and Wales is a strong platform for our continued success.

Results

Turnover increased by 16.3% to £597.3 million (2004: £513.7 million) as a consequence of steady increases in like-for-like sales and the acquisitions of Burtonwood PLC, Jennings Brothers PLC and English Country Inns PLC during the financial year, and the acquisition of Wizard Inns Ltd in the prior year. Turnover and profit growth was achieved in each of our three trading divisions.

Underlying operating margin increased to 22.7% (2004: 22.0%). Our focus on good quality freehold community pubs and popular beer brands continues to provide us with operational flexibility and has enabled us to increase operating margins despite the continuing legislative and cost pressures faced by the industry.

Underlying profit before taxation increased by 16.0% to £90.1 million (2004: £77.7 million). After goodwill amortisation and exceptional items (including refinancing costs primarily relating to the associated redemption of debentures), profit before tax was £47.9 million (2004: £70.2 million). Underlying earnings per share increased by 11.3% to 84.4 pence per share (2004: 75.8 pence). Basic earnings per share after goodwill amortisation and exceptional items was 44.3 pence per share (2004: 66.7 pence).

These results were achieved through the continuing implementation of our strategies for delivering organic growth and the successful integration of acquisitions.

Dividend

The Board proposes a final dividend of 25.66 pence per share, which brings the total dividend for the year to 38.86 pence per share (2004: 35.32 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 2006 to those shareholders on the register at the close of business on 30 December 2005.

Refinancing

The Group refinanced its debt in August 2005, replacing existing debentures and bank debt with a £805 million securitisation and a £275 million bank facility. The new financing structure provides greater flexibility for acquisitions, increases the average maturity of the Group's debt and also reduces the cash interest cost of debt by some £5 million per year. A one-off contribution of £29 million was made to The Wolverhampton and Dudley Breweries, PLC final salary pension scheme in September 2005.

Legislation

The new licensing regime, which has transferred licensing responsibility to local authorities and enabled more flexible opening hours, became effective on 24 November 2005. In over 95% of cases we have asked for, and received consent to, a modest extension of existing hours. Having implemented the legislation, we are now focused on realising maximum benefit from greater flexibility. The issue of smoking in public places, and therefore in pubs, is now high on the government's agenda. The government envisages that a partial ban in pubs will be introduced at some stage in 2007. The current proposals are summarised in the Chief Executive's review.

We believe that the impact of a ban will be greater on poorly located, uninvested pubs with limited trading opportunities. Our strategy in recent years has been to dispose of such pubs and invest in higher quality outlets where food is an important part of the sales mix. As a result, we believe that we are well placed to manage any impact on our business from this proposed legislation.

Employees

This year we welcomed to the Group employees from Burtonwood, Jennings and English Country Inns. The successful and fast integration of these acquisitions has contributed to our strong performance. I thank all those involved and also those who work in our pubs, breweries and support functions for their efforts during this year. The continuing success of the business is a testament to the talents and commitment of over 11,000 employees across the Group.

Outlook

The regulatory and cost issues affecting our industry have been challenging and remain so. We aim to continue to offset rising costs by improving productivity, partly facilitated by the flexibility afforded by our business model which allows us to reduce costs by transferring smaller managed pubs to tenancy or lease.

Weaker consumer confidence has been widely reported, with rising energy costs, higher taxes and greater economic uncertainty putting pressure on discretionary spend. Against this backdrop, our focus on good community pubs and value for money is an appropriate strategy.

We have a strong balance sheet and relatively conservative gearing which enables us to consider acquisition opportunities as they arise in a consolidating sector and are confident about our prospects for the year.

David Thompson
Chairman

Chief Executive's Review

Business development

Our results were achieved by continuing to manage cost pressures and improve operational efficiency, combined with an absolute focus on delivering quality and value to our customers. As a result, we were able to deliver good organic growth whilst acquiring businesses that met our acquisition criteria.

Acquisitions have contributed to this good financial performance. In June 2004 we acquired Wizard Inns, a managed pub estate of 63 pubs situated mainly in the South of England. In January this year, we completed the acquisition of Burtonwood, an operator of a good quality estate of 460 pubs situated mainly in the North-West of England and North Wales. In May, we acquired Jennings, a North-West regional brewer with a tenanted pub estate of 128 excellent pubs. In September, we acquired English Country Inns, which comprises 14 high quality managed food pubs.

These acquisitions are consistent with our strategy to invest in good quality freehold community pubs. We have clear financial targets for acquisitions: they must be earnings enhancing and must deliver a return on capital above the weighted average cost of capital for the Group as a whole.

A significant contributing factor to the success of these acquisitions is the realisation of synergy benefits. The combined cost savings achieved for these three acquisitions exceed £8 million per year, mainly from reduced overheads and better purchasing terms. One of the reasons that we were able to exceed our original targets for cost savings is our well-established integration process ensuring the swift absorption of the acquired businesses into the Group.

The development of the businesses acquired also contributes to the achievement of return on capital targets. By the end of 2006 we plan to have refurbished 40% of the Wizard Inns estate. We have also acquired the freehold interests of four Wizard Inns leasehold properties. Within the Burtonwood estate, around 100 tenants are currently agreeing terms for our 21-year 'Open House' leases. We have broadened the range of beers available to Burtonwood and Jennings customers and have extended the distribution of Jennings beers across the rest of the estate.

The success of these acquisitions is also due to the operational flexibility afforded by the integrated model, with benefits to each of our trading divisions. We are able to integrate both managed and tenanted pubs and achieve wider distribution of our beers.

The strength of our balance sheet and relatively conservative gearing will allow us to consider further acquisitions when the opportunity arises, or to return further capital to shareholders. The successful refinancing of the Group's debt through a £805 million securitisation has further increased our financial capacity, as well as reducing future interest payments and extending the maturity of our debt.

Licensing

Although the implementation of new licensing legislation has been time consuming and costly, the great majority of our pubs are now able to take advantage of more flexible opening hours, and in practice most are likely to open for one or two extra hours on two to three nights per week. We expect that the impact of the new legislation will be modestly beneficial.

Smoking

The potential ban on smoking in public places will have an impact on the pub sector. The outline proposals distinguish between pubs which serve food, in which customers will not be allowed to smoke, and those which do not serve food, in which customers will be allowed to smoke, and it is proposed that the ban will not apply to private members clubs. The potential for separate 'smoke-rooms' will remain the subject of consultation. The timetable for implementation has been brought forward from 2008 to 2007.

The development of pubs as places to enjoy a meal with family and friends has been beneficial to the pub market and has raised standards for customers. The proposals as presented will require pub operators to choose between having a broad based appeal or to cater for a predominantly drinking and smoking customer base.

We are preparing for the possibility that a ban may eventually be universal, and are introducing smoke-free pubs where there is clear demand. We now have 15 smoke-free pubs in the Pathfinder Pubs estate – all pubs with a significant food trade – and have seen satisfactory results. Our experience indicates that well invested and well located pubs which have a significant food trade will not be materially affected by a smoking ban.
In both managed and tenanted pubs our investment plans are targeted at the further development of food offers and making outside trading areas more attractive. Over 80% of our pubs have such outside trading areas.

These plans, together with the fact that we have already disposed of over 900 less well-positioned pubs in recent years, should allow us to minimise the risks and maximise opportunities to our competitive advantage.

The Union Pub Company - 1,748 leased and tenanted pubs (2004: 1,162 pubs)

Turnover increased by 29.7% to £153.3 million, including a £30.2 million contribution from Burtonwood and Jennings. Like-for-like sales increased by 2.8%. Underlying operating margin increased by 0.4% to 42.5%, and underlying operating profit increased by 30.9% to £65.2 million.

These strong results benefited from the acquisition of Burtonwood, which included 420 tenanted pubs, and Jennings, which included 128 tenanted pubs. Both of these estates represent an excellent geographical fit, the North-West being adjacent to our core trading area.

The Burtonwood estate offers considerable scope for development. The estate is almost entirely freehold and represented by community pubs with tenants on short term agreements. There has been strong interest from Burtonwood tenants in our 21-year 'Open House' lease, which is assignable, offers high discounts and has contributed to our good performance since its introduction in 2003. We have also seen strong demand for the wider range of products we are able to offer Burtonwood tenants, and in particular for our range of Marston's and Banks's beers.

The performance of the core estate, which excludes acquisitions, has been good despite the considerable resources invested by both licensees and our staff in implementing the new licensing legislation. The estate now includes over 700 pubs let on longer term leases, the majority of which are 'Open House' 21-year agreements. We expect that demand from Burtonwood tenants will increase the total to over 1,000 within three years.

We invested £26.4 million last year, including £9.0 million acquiring 23 individual pubs and £17.4 million on our existing pubs. This refurbishment expenditure includes 260 development schemes designed to broaden the pub offer – involving improvements to kitchens, pub gardens and trading areas, tailored with the proposed smoking legislation in mind.

We aim to provide the maximum possible support to our tenant and lessee partners. This includes monitoring daily ordering patterns so that we can identify opportunities to improve performance, and the dedication of 39 Business Development Managers each with fewer than 50 pubs each across the estate – a lower ratio than most of our competitors, allowing more support to advise on trading issues and the development of our customers' offers.

Pathfinder Pubs – 542 managed pubs (2004: 513 pubs)

Turnover increased by 15.3% to £317.4 million, including a £12.7 million contribution from Burtonwood managed pubs and English Country Inns. Underlying operating margin increased by 0.2% to 20.0%, and underlying operating profit increased by 16.1% to £63.4 million.

Total like-for-like sales increased by 2.8%, a good performance achieved against strong comparatives which benefited from Euro 2004. Excluding this year's acquisitions, average sales per week across all Pathfinder Pubs is now £12,000 per pub. We will continue to improve the quality of the estate by a combination of investment in new sites and acquisitions and through our significant pub refurbishment programme.

The organic development of Pathfinder Pubs through new site development, pub acquisition and refurbishment is the cornerstone of our retail strategy. During the year, total capital investment in managed pubs was £56.2 million, representing £18.5 million on new pubs, £31.0 million on pub refurbishment and £6.7 million on acquiring the freehold interests of leasehold assets.

While the process of finding new sites and obtaining planning and licensing consents is time consuming and painstaking, it does generate superior returns and provides scope for development through freeholds or long leaseholds rather than short leaseholds. This year we opened 8 new pubs, all serving food and offering high levels of service and amenity.

We manage our community pubs as individual outlets rather than brands and see little value in branding in this segment of the market. This approach helps to keep costs down and is a contributing factor to our high operating margins.

Investment in pub refurbishment is also generating good returns. We completed 52 major refurbishment schemes, including a number of former Wizard Inns pubs – the Bell & Compass in Charing Cross, London, the Anglers Rest in Walton On Thames and the Café Maximo Bar in Norwich – now converted to a Pitcher & Piano.

Pitcher & Piano, now comprising 25 bars, has seen a significant improvement in trading performance following refurbishments this year in Nottingham, Bristol, Tunbridge Wells and two in London. We also opened a new Pitcher & Piano at Southampton Marina. This coming year will see further developments in London, Swansea, Leeds, York, Harrogate and Reading, as well as the conversion of a former Wizard Inns pub site and two more new openings.

In our community pub estate, we have continued to enhance performance through the refurbishment of existing pubs as 'Bostin' Locals', 'Service That Suits' and other operating formats, depending upon the location of the pub. This investment has contributed to significant growth in food sales across the estate, with like-for-like sales growth averaging 7.2% per annum over the last four years, and food sales now accounting for around 30% of total retail turnover.

The achieved cash return on incremental investment in pub refurbishment has consistently been above 20%, and there remains considerable development potential in the Wizard Inns and English Country Inns estates.

We expect Pathfinder Pubs' operating margins to reduce slightly in the coming year through higher operating costs, mainly related to Sky TV and energy prices. As a consequence, operating costs will increase by approximately £7 million. We have recently transferred 19 smaller pubs to The Union Pub Company and will continue to reduce costs elsewhere.

WDB Brands

Turnover increased by 5.2% to £126.6 million. Underlying operating margin was 14.4% (2004: 14.8%), and underlying operating profit increased by 2.2% to £18.2 million.

Total volumes brewed, excluding non-owned brands, increased by 5.2%, including a 14.8% increase in premium ale. This strong performance was driven by growth in free trade, in sales to other pub companies and in sales to the off trade. Within premium ale, Marston's Pedigree and Old Empire contributed to our strong performance, whilst standard ale - our range of other Marston's, Mansfield, Jennings and Banks's beers - also performed well.

WDB Brands has a reputation for being passionate about ale. We concentrate on marketing and distributing high quality English ales, and as a result of winning the contract to brew Draught Bass on behalf of InBev UK we are now the largest brewer of cask beer in the country. We brew Marston's beers, including the famous Marston's Pedigree, at the Burton Brewery using the traditional Burton Union system – hence our claim that Marston's Pedigree is a unique beer. This year we re-opened the Burton brewhouse after a £2 million investment to modernise the brewery, which will reduce costs and improve our environmental performance.

The performance of Marston's Pedigree benefited from new packaging for its cans and bottles, giving the product greater shelf impact, and from the continuation of the 'Marston's Don't Compromise' marketing campaign – currently showing on satellite and terrestrial television. A more recent initiative is the launch of 'Cask Force', an incentive scheme aimed at driving improved beer quality based around cellar training. The campaign will run until June 2006 when the prize will be a year's free rent for the winning licensee.

The performance of standard ales has also been strong. We achieved good growth in Marston's Smooth, which was launched in 2004 as Marston's FC, and the Banks's and Mansfield brands performed well with more localised marketing campaigns. The 'Banks's Seven Wonders' campaign won 'Best PR Campaign at the Drinks Business Awards 2005', and generated excellent local coverage for the brand. Additionally, our timing in producing Marston's Ashes Ale, a limited edition bottled beer, could not have been better.

The beer market generally, however, remains challenging with UK ale volumes declining by 6.4% last year. We outperformed the market by 11.6%, which is a consequence of ale being the focus of the WDB Brands business, continuing marketing support for our brands, dedication to beer quality and service and a great brand range.

Having acquired Jennings – 'the Lakeland Brewery' - we see considerable opportunity to extend distribution of the Jennings range of ales, which have a strong heritage and a unique provenance and to continue to increase our market share of the ale market.

Current trading

Whilst weaker consumer confidence has produced more subdued trading conditions since the year-end, like-for-like sales are marginally positive against strong comparables in both pub divisions and our performance overall is in line with our expectations, margins remaining firm and costs well controlled.

Ralph Findlay
Chief Executive

Financial review

Trading overview

	Turnover		Underlying operating profit (note 1)		Margin	
	2005 £m	2004 £m	**2005 £m**	Restated 2004 £m	**2005 %**	Restated 2004 %
Pathfinder Pubs	**304.7**	275.2	**61.3**	54.6	**20.1**	19.8
The Union Pub Co.	**123.1**	118.2	**53.5**	49.8	**43.5**	42.1
WDB Brands	**124.0**	120.3	**18.0**	17.8	**14.5**	14.8
Central costs	**-**	-	**(9.7)**	(9.3)	**(1.6)**	(1.8)
Continuing operations	**551.8**	513.7	**123.1**	112.9	**22.3**	22.0
Acquisitions	**45.5**	-	**12.3**	-	**27.0**	-
Group	**597.3**	513.7	**135.4**	112.9	**22.7**	22.0

2005 has been a year of real progress, with the financial performance and strength of the Group significantly increased as a result of notable achievements in three main areas:

- A strong performance in the underlying business, driven by good like-for-like sales and improved margins.
- Acquisitions which have been integrated ahead of schedule and delivered synergy savings in excess of original targets.
- A refinancing which has reduced annual cash interest costs by £5 million per year and provided greater financial flexibility.

Underlying profit before taxation increased by 16.0% to £90.1 million (2004: £77.7 million). After goodwill amortisation and exceptional items (including refinancing costs primarily relating to the associated redemption of debentures), profit before tax was £47.9 million (2004: £70.2 million). Underlying earnings per share increased by 11.3% to 84.4 pence per share (2004: 75.8 pence). Basic earnings per share after goodwill amortisation and exceptional items was 44.3 pence per share (2004: 66.7 pence).

Changes to segmental analysis

One of the consequences of the refinancing was a review of the arrangements for inter-divisional transfer terms and the allocation of overheads between the divisions. In order to ensure that products are supplied from WDB Brands to both our pub divisions on an arms length market basis, we have adjusted inter divisional transfer terms to reflect current comparable contracts with major national account customers. This has increased the profit in both Pathfinder Pubs and The Union Pub Company by £1.0 million and correspondingly reduced the profit in WDB Brands by £2.0 million. There is no change to the underlying Group profitability and the comparative 2004 divisional profits have been restated by similar amounts.

Following a detailed review of the central overhead structure, we have reallocated certain central overheads to the trading divisions. This has reduced central overheads in the year by £8.5 million, with corresponding increases in Pathfinder Pubs of £4.8 million, The Union Pub Company of £2.1 million and WDB Brands of £1.6 million. The 2004 comparative divisional profits have been restated by similar amounts.

Both of the adjustments referred to above are considered to reflect better the true profitability of each division and should allow better comparability with our peer group of companies in the sector.

Improved margins

The underlying operating margin of the Group improved by 0.7% to 22.7% despite significant cost increases. These increases have mainly impacted Pathfinder Pubs and include increases of 7.8% in the National Minimum Wage, £2.5 million in utility costs and £0.8 million in Sky TV costs.

Acquisitions

Burtonwood was acquired on 6 January 2005 for £167.8 million, including acquisition costs and £33.8 million of net debt (before any fair value adjustments). The acquisition was funded from existing bank facilities and the issue of 3.9 million new shares at a market value of £42.7 million. The Burtonwood tangible fixed assets have subsequently been independently valued at £185.4 million. Negative goodwill arising as a result of the acquisition was £5.5 million (see note 10).

Jennings was acquired on 20 May 2005 for £72.9 million, including acquisition costs and £24.4 million of net debt (before any fair value adjustments). The acquisition was funded entirely from existing bank facilities. The Jennings tangible fixed assets have subsequently been independently valued at £66.7 million. Goodwill arising as a result of the acquisition was £8.8 million (see note 11).

English Country Inns was acquired on 15 September 2005 for £13.4 million (see note 12).

Estate revaluation surplus

75% of our pub estate was revalued in 2004 resulting in a net £169.5 million gain with the remaining 25% revalued in this financial year. This has produced a further net gain of £58.5 million - equivalent to an average 27% increase compared to book values.

Refinancing and Pensions

The Group completed a major refinancing on 9 August 2005 replacing its debentures and bank debt with a £805 million securitisation of 70% of our managed and tenanted estate and a new £275 million bank facility. The new debt structure has reduced the cash interest cost by £5 million per annum and more than doubled the average debt maturity to 16 years, whilst maintaining operational flexibility and significantly increasing our debt capacity.

As previously indicated, a one-off contribution of £29 million was made in September 2005 to The Wolverhampton & Dudley Breweries, PLC final salary pension scheme, reducing the deficit of the combined W&DB, Burtonwood and Jennings schemes on a FRS 17 basis to £44.9 million (£31.4 million after tax).

The overall effect of these transactions will be to reduce interest charged in the profit and loss account by approximately £1.5 million per year. This includes the £5 million cash saving from refinancing, interest on the one-off pension contribution of £29 million, and the fact that the historical non-cash debenture fair value accounting adjustments have been eliminated following the refinancing.

Balance sheet flexibility

Net debt increased by £311.3 million to £871.7 million primarily as a result of the acquisitions of Burtonwood and Jennings and the recent refinancing of the Group's debt. The Group remains conservatively financed relative to the pub sector in general with interest cover of 3.0 times. The new £275 million bank facility put in place following the refinancing had headroom of £153 million at the year-end.

Taxation

The underlying rate of taxation (before goodwill and exceptional items) increased marginally from 29.2% in 2004 to 29.4% in 2005.

Exceptional items and goodwill

There was a total of £30.2 million of goodwill amortisation and exceptional items after tax in the year mainly as a result of refinancing. The main elements were:

- Exceptional restructuring costs relating to the Burtonwood and Jennings acquisitions of £4.7 million.
- Exceptional costs of the refinancing of £32.7 million mainly relating to the redemption of the debentures which had coupons at rates significantly above market rates. It should be noted that these costs would have been crystallised on the balance sheet in 2006 as a consequence of moving to IFRS.
- Goodwill impairment following fixed asset disposals and amortisation of £8.2 million.
- Profit on fixed asset disposals of £4.0 million.
- A tax credit of £12.0 million. We have received the full cash benefit of this tax credit in the first quarter of 2006.

International Financial Reporting Standards (IFRS)

The annual report for the year to 1 October 2005 will be the last prepared under UK accounting standards. The Group's first results reported under IFRS will be the interim results for 2005/06. In March 2006 we will publish further information including the 2005 results and balance sheet restated.

Preparations for adoption have continued throughout the year and the Board remains confident that procedures have been put in place to enable a smooth transition from UK accounting standards.

Following adoption of IFRS, the principal changes in accounting treatment are expected to be for deferred taxation, pensions, share based payments, financial instruments, goodwill and accrued dividends.

There will be no impact on the Group's cash flows or debt covenants, however there will be some changes in the presentation and format of the financial statements.

Paul Inglett
Finance Director

Group profit and loss account

for the 52 weeks ended 1 October 2005	**2005** Before goodwill and exceptionals £m	Goodwill and exceptionals £m	Total £m	2004 Before goodwill and exceptionals £m	Goodwill and exceptionals £m	Total £m
Turnover						
Continuing operations	**551.8**	**-**	**551.8**	513.7	-	513.7
Acquisitions	**45.5**	**-**	**45.5**	-	-	-
Total turnover	**597.3**	**-**	**597.3**	513.7	-	513.7
Trading expenses	**(461.9)**	**(13.5)**	**(475.4)**	(400.8)	(12.0)	(412.8)
Operating profit						
Continuing operations	**123.1**	**(8.6)**	**114.5**	112.9	(12.0)	100.9
Acquisitions	**12.3**	**(4.9)**	**7.4**	-	-	-
Total operating profit	**135.4**	**(13.5)**	**121.9**	112.9	(12.0)	100.9
Fixed asset disposals	**-**	**4.0**	**4.0**	-	4.5	4.5
Profit on ordinary activities before interest	**135.4**	**(9.5)**	**125.9**	112.9	(7.5)	105.4
Interest	**(45.3)**	**(32.7)**	**(78.0)**	(35.2)	-	(35.2)
Profit on ordinary activities before taxation	**90.1**	**(42.2)**	**47.9**	77.7	(7.5)	70.2
Taxation	**(26.5)**	**12.0**	**(14.5)**	(22.7)	0.9	(21.8)
Profit on ordinary activities after taxation	**63.6**	**(30.2)**	**33.4**	55.0	(6.6)	48.4
Dividends paid and proposed			**(29.9)**			(25.6)
Retained profit for the period			**3.5**			22.8
Earnings per share:						
Basic earnings per share			**44.3p**			66.7p
Basic earnings per share before goodwill and exceptionals			**84.4p**			75.8p
Diluted earnings per share			**43.8p**			65.9p
Diluted earnings per share before goodwill and exceptionals			**83.4p**			74.9p

Group cash flow statement

for the 52 weeks ended 1 October 2005	2005 £m	2005 £m	2004 £m	2004 £m
Net cash inflow from operating activities		**119.1**		148.4
Returns on investments and servicing of finance				
Interest received	**0.5**		0.6	
Interest paid	**(50.2)**		(34.9)	
Arrangement cost of new bank facilities	**(1.8)**		(2.1)	
Issue costs paid on securitised debt	**(12.5)**		-	
Net cash outflow from returns on investments and servicing of finance		**(64.0)**		(36.4)
Taxation		**(19.9)**		(21.0)
Capital expenditure and financial investment				
Investment in fixed assets for existing pubs	**(63.9)**		(61.0)	
Fixed asset purchase of new pubs/site developments	**(34.2)**		(20.9)	
Sale of tangible fixed assets	**14.8**		13.5	
Decrease in trade loans and other investments	**5.8**		3.5	
Net cash outflow for capital expenditure and financial investment		**(77.5)**		(64.9)
Acquisitions				
Purchase of subsidiary undertakings	**(144.0)**		(30.3)	
Net cash acquired with subsidiary undertakings	**3.9**		7.5	
Repayment of debt of subsidiary upon acquisition	**-**		(68.5)	
Net cash outflow for acquisition		**(140.1)**		(91.3)
Equity dividends paid		**(27.8)**		(24.1)
Cash outflow before financing		**(210.2)**		(89.3)
Financing				
Issue of ordinary share capital	**2.6**		3.0	
Purchase of ordinary share capital for cancellation	**-**		(8.0)	
Net sale of own shares from share trust	**0.3**		1.1	
Repayment of loan notes	**(0.1)**		-	
Capital element of finance lease payments	**(0.1)**		-	
(Repayment)/advance of loans	**(281.2)**		99.4	
Settlement of debentures	**(287.9)**		-	
Proceeds from issue of securitised debt	**805.0**		-	
Net cash inflow from financing		**238.6**		95.5
Increase in cash in the period		**28.4**		6.2
Reconciliation of net cash flow to movement in net debt				
Increase in cash in the period	**28.4**		6.2	
Cash inflow from increase in debt	**(278.6)**		(97.3)	
Change in debt resulting from cash flows		**(250.2)**		(91.1)
Debt acquired with subsidiaries		**(65.9)**		-
Non-cash movements		**4.8**		(0.6)
Movement in net debt in the period		**(311.3)**		(91.7)
Net debt at 3 October 2004		**(560.4)**		(468.7)
Net debt at 1 October 2005		**(871.7)**		(560.4)

Statement of total Group recognised gains and losses

for the 52 weeks ended 1 October 2005	**2005** £m	2004 £m
Profit on ordinary activities after taxation	**33.4**	48.4
Unrealised surplus on revaluation of properties	**59.1**	171.7
Total recognised gains relating to the period	**92.5**	220.1

Note of Group historical cost profits and losses

for the 52 weeks ended 1 October 2005	**2005** £m	2004 £m
Profit on ordinary activities before taxation	**47.9**	70.2
Realisation of property revaluation gains of previous periods	**0.3**	2.3
Difference between the historical cost depreciation and actual depreciation on the revalued amount	**0.8**	0.9
Historical cost profit before taxation	**49.0**	73.4
Historical cost profit after taxation and dividends	**4.6**	26.0

Reconciliation of movements in Group shareholders' funds

for the 52 weeks ended 1 October 2005	**2005** £m	2004 £m
Profit on ordinary activities after taxation	**33.4**	48.4
Dividends paid and proposed	**(29.9)**	(25.6)
Profit for the period transferred to reserves	**3.5**	22.8
Revaluation of properties	**59.1**	171.7
Proceeds of ordinary share capital issued for cash	**2.6**	3.0
Ordinary shares issued for Burtonwood acquisition	**42.7**	-
Purchase of own shares for cancellation	**-**	(8.0)
Net sale of own shares from share trust	**0.3**	1.1
Net addition to shareholders' funds	**108.2**	190.6
Opening shareholders' funds	**648.3**	457.7
Closing shareholders' funds	**756.5**	648.3

Group balance sheet

as at 1 October 2005	**2005** **£m**	2004 £m
Fixed assets		
Goodwill	**111.3**	109.1
Negative goodwill	**(5.4)**	-
Intangible assets	**105.9**	109.1
Tangible assets	**1,553.1**	1,182.3
Investments	**21.1**	21.2
	1,680.1	1,312.6
Current assets		
Stocks	**13.6**	13.5
Debtors		
Amounts falling due within one year	**60.6**	45.0
Amounts falling due after more than one year	**28.0**	-
Cash at bank and in hand	**76.1**	16.2
	178.3	74.7
Creditors – Amounts falling due within one year	**(169.5)**	(138.7)
Net current assets/(liabilities)	**8.8**	(64.0)
Total assets less current liabilities	**1,688.9**	1,248.6
Creditors – Amounts falling due after more than one year	**(895.4)**	(583.1)
Provisions for liabilities and charges	**(35.0)**	(17.2)
	758.5	648.3

Capital and reserves		
Equity share capital	**22.8**	21.4
Non-equity share capital	**0.1**	0.1
Called-up share capital	**22.9**	21.5
Share premium account	**185.1**	209.9
Merger reserve	**41.5**	-
Revaluation reserve	**379.9**	321.9
Capital redemption reserve	**6.0**	6.0
Profit and loss account	**121.1**	89.0
Shareholders' funds including non-equity interests of £0.1m (2004: £0.1m)	**756.5**	648.3
Equity minority interests	**2.0**	-
Capital employed	**758.5**	648.3

1. Segmental analysis

	2005					
	Turnover	Operating profit before goodwill and exceptionals	Goodwill and exceptionals	Operating profit after goodwill and exceptionals	Net assets	Goodwill asset
	£m	£m	£m	£m	£m	£m
Pathfinder Pubs						
Continuing operations	**304.7**	**61.3**	**(4.1)**	**57.2**	**644.7**	**37.0**
Acquisitions	**12.7**	**2.1**	**(0.2)**	**1.9**	**46.9**	**0.7**
Total	**317.4**	**63.4**	**(4.3)**	**59.1**	**691.6**	**37.7**
The Union Pub Company						
Continuing operations	**123.1**	**53.5**	**(1.1)**	**52.4**	**524.1**	**20.6**
Acquisitions	**30.2**	**11.7**	**(4.5)**	**7.2**	**208.5**	**3.2**
Total	**153.3**	**65.2**	**(5.6)**	**59.6**	**732.6**	**23.8**
WDB Brands						
Continuing operations	**124.0**	**18.0**	**(0.7)**	**17.3**	**95.0**	**5.3**
Acquisitions	**2.6**	**0.2**	**(0.1)**	**0.1**	**4.7**	**0.8**
Total	**126.6**	**18.2**	**(0.8)**	**17.4**	**99.7**	**6.1**
Central costs						
Continuing operations	**-**	**(9.7)**	**(2.7)**	**(12.4)**	**44.4**	**38.3**
Acquisitions	**-**	**(1.7)**	**(0.1)**	**(1.8)**	**2.7**	**-**
Total	**-**	**(11.4)**	**(2.8)**	**(14.2)**	**47.1**	**38.3**
	597.3	**135.4**	**(13.5)**	**121.9**	**1,571.0**	**105.9**
Goodwill					**105.9**	
Debt, tax and dividends					**(918.4)**	
					758.5	

As a result of the refinancing during the year, the Directors have reconsidered the inter-divisional transfer terms, to ensure that products are supplied by WDB Brands to other divisions on an arms length market basis. The allocation of central overheads was also considered and revised.

Following this review, the operating profit comparatives for each division have been restated. This has reduced the profit in Pathfinder Pubs by £3.8m, The Union Pub Company by £1.1m, WDB Brands by £3.6m and increased profits in Central by £8.5m.

	2004 Restated					
	Turnover	Operating profit before goodwill and exceptionals	Goodwill and exceptionals	Operating profit after goodwill and exceptionals	Net assets	Goodwill asset
Continuing operations	£m	£m	£m	£m	£m	£m
Pathfinder Pubs	275.2	54.6	(9.2)	45.4	583.0	40.1
The Union Pub Company	118.2	49.8	0.4	50.2	452.8	22.1
WDB Brands	120.3	17.8	(0.1)	17.7	84.8	6.0
Central costs	-	(9.3)	(3.1)	(12.4)	24.2	40.9
	513.7	112.9	(12.0)	100.9	1,144.8	109.1
Goodwill					109.1	
Debt, tax and dividends					(605.6)	
					648.3	

2. Goodwill and exceptionals

	2005 £m	2004 £m
Operating items:		
Goodwill amortisation	**7.1**	7.0
Exceptional trading expenses:		
Goodwill impairment following fixed asset disposals	**1.1**	1.7
Impairment of fixed assets following revaluation	**0.6**	2.2
Costs of reorganisation of acquisitions	**4.7**	1.1
	13.5	12.0
Non-operating exceptional items:		
Profit on fixed asset disposals	**(4.0)**	(4.5)
Interest:		
Write-off of unamortised finance cost following refinancing	**4.3**	-
Premium on redemption of debentures	**28.4**	-
	32.7	-
	42.2	7.5

Interest exceptional items were incurred as part of the debt refinancing in August 2005.

3. Taxation

	2005 £m	2004 £m
The charge to the profit and loss account comprises:		
Current tax:		
Corporation tax on profits for the period	**1.7**	22.0
Adjustment in respect of prior periods	**(1.5)**	(0.6)
	0.2	21.4
Deferred tax	**14.3**	0.4
	14.5	21.8

4. Dividends

	2005 £m	2004 £m
Ordinary shares		
Interim paid 13.20p per share (2004: 12.00p)	**10.1**	8.7
Final proposed 25.66p per share (2004: 23.32p)	**19.8**	16.9
Total dividends on ordinary shares 38.86p per share (2004: 35.32p)	**29.9**	25.6

5. Earnings per share

Basic earnings per share is calculated by dividing the profit after tax by the weighted average number of ordinary shares in issue during the period, excluding those held in the Employee Share Ownership Plan (ESOP).

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 the dilutive options is to increase the weighted average number of shares by 0.9 million (2004: 0.8 million).

Supplementary earnings per share figures are presented to exclude the effects of goodwill amortisation and exceptionals.

	2005			2004		
	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	**33.4**	**75.4**	**44.3**	48.4	72.6	66.7
Diluted earnings per share	**33.4**	**76.3**	**43.8**	48.4	73.4	65.9
Supplementary earnings per share figures:						
Basic earnings per share before goodwill and exceptionals	**63.6**	**75.4**	**84.4**	55.0	72.6	75.8
Diluted earnings per share before goodwill and exceptionals	**63.6**	**76.3**	**83.4**	55.0	73.4	74.9

6. Estate revaluation

At 2 July 2005, 1,341 properties were revalued by independent chartered surveyors. This has been reflected in the accounts as follows:

	£m
Exceptional items:	
Revaluation loss - charged as an impairment	(1.3)
Reversal of past impairment loss	0.7
Net profit and loss account charge	**(0.6)**
Revaluation reserve:	
Unrealised revaluation surplus	72.1
Reversal of past revaluation surplus	(13.0)
Net revaluation surplus taken to revaluation reserve	**59.1**
Net increase in shareholders' funds/fixed assets	**58.5**

7. 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. These are secured over the properties and their future income streams. Existing debenture and banking facilities were repaid from the funds received from the loan notes issued.

The securitised debt consists of four tranches with the following principal terms:

Tranche	£m	Interest	Principal repayment period – by instalments	Expected average life	Expected maturity date
A1	236.0	Floating	2005 to 2020	6 years	2012
A2	214.0	Fixed/floating	2020 to 2027	14 years	2019
A3	200.0	Fixed/floating	2027 to 2032	22 years	2027
B	155.0	Fixed/floating	2032 to 2035	14 years	2019
	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 into fixed interest payable.

Interest on the Class A2 notes is payable at fixed 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 fixed 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 fixed interest of 5.6410% until July 2019 and thereafter at three month LIBOR plus a margin of 2.55%.

The carrying value of the secured notes in the Group balance sheet at 1 October 2005 was £791.7m, net of deferred issue costs of £13.3m.

8. Reconciliation of operating profit to net cash inflow from operating activities

	2005 £m	2004 £m
Total operating profit	**121.9**	100.9
Goodwill amortisation	**7.1**	7.0
Income from fixed asset investments	**(0.3)**	(0.4)
Depreciation charge	**38.3**	32.9
Decrease in pension cost provision	**(30.2)**	(1.5)
Decrease/(increase) in stocks	**1.5**	(0.5)
Increase in debtors	**(0.8)**	(3.3)
(Decrease)/increase in creditors	**(20.1)**	9.3
Exceptional operating charges with no cash impact	**1.7**	4.0
Net cash inflow from operating activities	**119.1**	148.4

9. Analysis of net debt

	2005 £m	Cash flow £m	Non-cash flow £m	Acquisitions £m	2004 £m
Cash					
Cash at bank and in hand	**76.1**	59.9	-	-	16.2
Bank overdraft	**(35.6)**	(31.5)	-	-	(4.1)
	40.5	28.4	-	-	12.1
Debt due within one year					
Loan stock	**(9.2)**	0.1	(9.2)	-	(0.1)
Bank loans	**0.2**	-	(0.2)	-	0.4
Securitised debt	**(9.1)**	(10.1)	1.0	-	-
Finance leases	**(0.1)**	0.1	-	(0.1)	(0.1)
	(18.2)	(9.9)	(8.4)	(0.1)	0.2
Debt due after one year					
Bank loans	**(111.1)**	281.2	(0.9)	(37.0)	(354.4)
Securitised debt	**(782.6)**	(794.9)	12.3	-	-
Finance leases	**(0.3)**	-	(0.1)	-	(0.2)
Debentures	**-**	245.0	1.9	(28.8)	(218.1)
	(894.0)	(268.7)	13.2	(65.8)	(572.7)
	(871.7)	(250.2)	4.8	(65.9)	(560.4)

Bank loans due within one year represents unamortised issue costs expected to be charged in 2006.

10. Acquisition - Burtonwood

On 6 January 2005, the Group acquired Burtonwood PLC 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 October 2005.

		Fair value adjustments		
	Book value £m	Revaluations £m	Other £m	Provisional fair value £m
Tangible fixed assets	140.9	44.5	-	185.4
Investments	2.8	-	(0.2)	2.6
Stock	1.0	-	-	1.0
Debtors	5.6	-	(0.1)	5.5
Cash	5.8	-	-	5.8
Creditors	(13.2)	-	(1.0)	(14.2)
Loans	(15.0)	-	-	(15.0)
Debentures	(24.6)	-	(4.2)	(28.8)
Provisions for liabilities and charges	(4.4)	-	1.6	(2.8)
Net assets acquired	98.9	44.5	(3.9)	139.5
Consideration (including acquisition fees)				
Cash				84.3
Shares				42.7
Loan notes				7.0
Total consideration				134.0
Negative goodwill				(5.5)

The Company issued its own shares as part of the consideration for Burtonwood. The fair value of the shares issued, based on market price at the date of acquisition, was recorded as the cost of investment. The £1.2m nominal value of the shares issued has been recognised in share capital and the difference between nominal and fair value of £41.5m has been recorded as a merger reserve.

The attributed fair values are provisional. Any further adjustments will be included in next year's financial statements. The revaluation adjustment reflects the valuation of the acquired estate as at 6 January 2005. The valuation was carried out by independent chartered surveyors on an existing use basis. No deferred tax has been recognised on the revaluation adjustment as there are no agreements to sell the assets concerned.

The other fair value adjustments include the valuation of the Burtonwood pension scheme and the market value of debentures at acquisition date. Deferred tax has been recognised on these fair value adjustments.

The net cash outflow in respect of the purchase of Burtonwood was:	**£m**
Acquisition of equity	
Cash	84.3
Cash in hand of subsidiary	(5.8)
Net cash outflow for acquisition	78.5

11. Acquisition - Jennings

On 20 May 2005 the Group acquired Jennings Brothers PLC 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 October 2005.

		Fair value adjustments		
	Book value £m	Revaluations £m	Other £m	Provisional fair value £m
Intangible fixed assets	1.6	-	(1.6)	-
Tangible fixed assets	51.4	15.3	-	66.7
Investments	1.7	-	-	1.7
Stock	0.4	-	-	0.4
Debtors	2.7	-	-	2.7
Cash	0.2	-	-	0.2
Bank overdraft	(2.6)	-	-	(2.6)
Creditors	(4.1)	-	(3.1)	(7.2)
Loans	(22.0)	-	-	(22.0)
Provisions for liabilities and charges	(0.9)	(0.2)	0.9	(0.2)
Net assets acquired	28.4	15.1	(3.8)	39.7
Consideration (including acquisition fees)				
Cash				46.3
Loan notes				2.2
Total consideration				48.5
Goodwill				8.8

The attributed fair values are provisional. Any further adjustments will be included in next year's financial statements. The revaluation adjustment in respect of tangible fixed assets reflects the valuation of the acquired estate as at 20 May 2005. Valuations reflecting onerous leases have been included in provisions. The pub estate valuation was carried out by independent chartered surveyors on an existing use basis and the brewery valuation was carried out by independent chartered surveyors on a depreciated replacement cost basis. No deferred tax has been recognised on the revaluation adjustment as there are no agreements to sell the assets concerned.

The other fair value adjustments reflect the elimination of goodwill held in the acquired balance sheet, valuation of the Jennings pension scheme and the market value of SWAPs at acquisition date. Deferred tax has been recognised on these fair value adjustments.

The net cash outflow in respect of the purchase of Jennings was:	**£m**
Acquisition of equity	
Cash	46.3
Cash in hand of subsidiary	(0.2)
Net cash outflow for acquisition	46.1

12. Acquisition – English Country Inns

On 15 September 2005 the Group acquired English Country Inns PLC. The acquisition has been accounted for under acquisition accounting principles and is therefore included in the consolidated balance sheet as at 1 October 2005.

		Fair value adjustments		
	Book value £m	Revaluations £m	Other £m	Provisional fair value £m
Tangible fixed assets	10.2	2.6	-	12.8
Stock	0.1	-	-	0.1
Debtors	1.3	-	-	1.3
Cash	0.5	-	-	0.5
Creditors	(1.0)	-	-	(1.0)
	11.1	2.6	-	13.7
Minority interest	(1.6)	(0.4)	-	(2.0)
Net assets acquired	9.5	2.2	-	11.7
Cash consideration (including acquisition fees)				13.4
Goodwill				1.7

The attributed fair values are provisional. Any further adjustments will be included in next year's financial statements. The revaluation adjustment in respect of tangible fixed assets reflects the valuation of the acquired pub estate as at 15 September 2005. The valuation was carried out by independent chartered surveyors on an existing use basis. No deferred tax has been recognised on the revaluation adjustment as there are no agreements to sell the assets concerned.

The net cash outflow in respect of the purchase of English Country Inns was:	**£m**
Acquisition of equity	
Cash	13.4
Cash in hand of subsidiary	(0.5)
Net cash outflow for acquisition	12.9

13. Acquisition – Wizard Inns

On 14 June 2004 the Group acquired Wizard Inns Limited. The fair value adjustments stated in the prior year accounts are now confirmed.

Notes:

a. The contents of this preliminary announcement, which do not constitute statutory accounts as defined in Section 240 of the Companies Act 1985, have been extracted from the audited statutory accounts of the Group for the 52 weeks ended 1 October 2005 which will be filed with the Registrar of Companies in due course. The statutory accounts for the 53 weeks ended 2 October 2004 have been delivered to the Registrar of Companies. The independent auditors' report on these accounts are unqualified and do not contain any statements under Section 237(2) or (3) of the Companies Act 1985.

b. Subject to approval of the shareholders at the annual general meeting, the proposed final dividend of 25.66 pence per share will be paid on 31 January 2006 to shareholders on the register at the close of business on 30 December 2005.

c. The annual report for the year ended 1 October 2005 will be posted to all shareholders in the week commencing 18 December 2005. Copies will be obtainable from Hudson Sandler Limited (020 7796 4133) or from The Company Secretary, The Wolverhampton & Dudley Breweries, PLC, Park Brewery, Bath Road, Wolverhampton, WV1 4NY.