W&DB

The Wolverhampton
& Dudley Breweries, PLC
Interim report 2005

New Brewhouse at Marston's Burton Brewery. Completed April 2005.

The Wolverhampton & Dudley Breweries, PLC
Financial highlights

Record underlying* earnings per share up 10.2% to 33.6p

Interim dividend up 10.0% to 13.2p

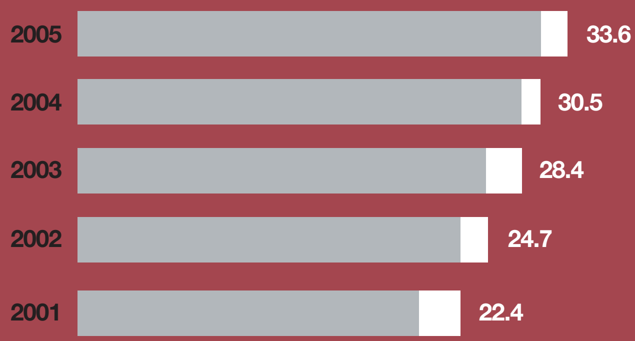
Underlying profit before taxation up 13.6% to £36.0m

Turnover up 18.7% to £277.6m
- turnover and profit up in all 3 trading divisions

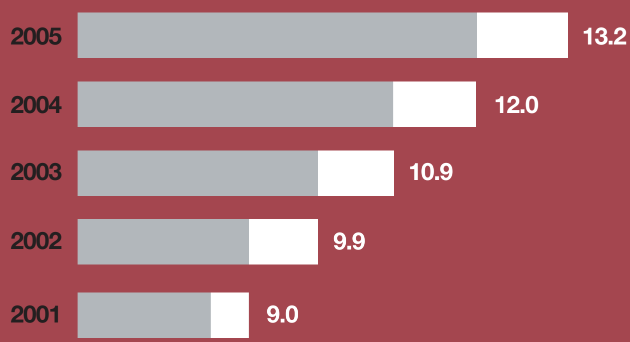
* The underlying results reflect the performance of the Group before goodwill and exceptional items. The Directors consider that these figures provide a useful indication of the underlying performance of the Group.

Five-year trend
Earnings and Dividend per share, Operating margins.

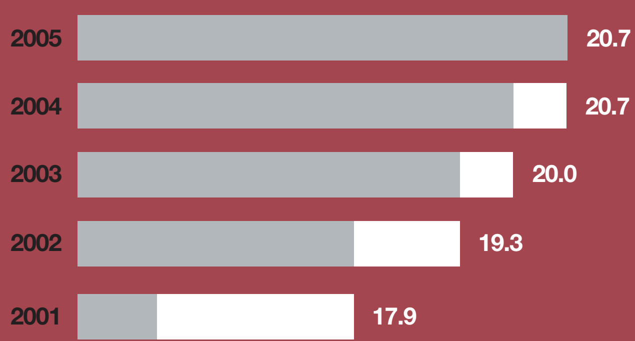
Underlying earnings per share (p)



Dividend per share (p)



Operating margins (%)



Underlying earnings per share has been restated for FRS19 in 2001.

Chairman's statement
Our strong performance and market position give us confidence in a satisfactory out-turn for the year.

These strong first-half results reflect the continuing good underlying performance of each of our trading divisions, together with the successful integration of acquisitions. Our consistent focus on the development of our high quality, mainly freehold pub estates, popular ale brands and tight cost control have contributed to turnover and profit growth across all trading divisions.

On 27 April 2005 we announced that we had reached agreement on the terms of a recommended cash offer for Jennings Brothers plc ('Jennings') which values Jennings at approximately £67 million, including debt to be acquired of £21 million. On 20 May 2005 we declared the offer for Jennings wholly unconditional. Jennings operates a high quality estate of 128 tenanted pubs in the North of England, and produces a portfolio of quality ale brands. The estate represents a good geographic fit with our existing business, particularly following the acquisition of Burtonwood PLC ('Burtonwood'). The acquisition is consistent with our strategy to develop both organically and through selective acquisitions.

Results
Group turnover increased by 18.7% and the underlying operating margin was maintained, notwithstanding the significant cost increases being faced by the business. Earnings per share before goodwill and exceptional items increased by 10.2% to 33.6 pence per share. This increase was the product of a 13.6% increase in profit before taxation, goodwill and exceptional items, offset by a slightly higher effective tax rate and a modest increase in the average number of shares in issue following the acquisition of Burtonwood on 6 January 2005. Full details of the acquisition of Burtonwood are described in the Financial review and in note 7 to the accounts.

Basic earnings per share (after goodwill and exceptional items) increased by 12.6% to 30.4 pence per share.

The details of the trading results and the development of the business are described in the Chief Executive's review and the Financial review.

Dividend
The Board has declared an interim dividend of 13.2 pence per share (2004:12.0 pence) payable on 24 June 2005 to shareholders on the register at the close of business on 3 June 2005. This is an increase of 10.0%, and represents a continuation of the progressive dividend policy adopted by the Company over many years.

Prospects
The industry faces significant regulatory challenges, as described in the Chief Executive's review. Additionally, a slow-down in consumer expenditure has been widely reported. These factors suggest that pressure on industry margins will continue.

We believe that our strategy is well suited to these slower market conditions. We will continue to use our strong cash flow to invest in our pub estates through refurbishment, acquisition and site development, with a focus on high quality, value oriented offers in community pubs. Our preference is for good quality freehold community pubs, which are less vulnerable than those on the high street to a potential consumer slow-down. They provide a stable platform for growth and have delivered a consistent, steady trading performance during varying economic cycles. The mix of our business, which includes managed, tenanted and leased pubs as well as beer brands, provides us with operational flexibility and greater scope to take advantage of opportunities as they arise.

Notwithstanding the more uncertain economic climate, our strong performance and market position give us confidence in a satisfactory out-turn for the year in line with our expectations.

David Thompson

David Thompson
Chairman

Chief Executive's review

Our ability to integrate acquisitions quickly and effectively has contributed to this good overall performance.

The Group has performed strongly in the first-half year.

Our ability to integrate acquisitions quickly and effectively has contributed to this good overall performance. In June 2004 we acquired Wizard Inns, a managed pub estate of 63 pubs situated mainly in the South of England. The pubs are of good quality and well situated in neighbourhood and commercial locations. The integration into Pathfinder Pubs was completed within ten weeks and the anticipated synergies of at least £2.5 million per year are being slightly exceeded. The estate has traded satisfactorily and in line with our expectations, with like-for-like profit increasing by 4.3% in the first half-year.

Since the acquisition three sites have been sold at a profit to book value realising £4.7 million, and we have bought the freeholds of the Red Lion, Wendover and Café Mango, Sutton. Having completed our review of the estate, 12 refurbishments will be completed during the second half of the year.

On 6 January 2005, we completed the acquisition of Burtonwood, the operator of an estate of 460 pubs situated mainly in the North-West of England and North Wales. The integration of the pubs into The Union Pub Company and Pathfinder Pubs was completed by the end of March, ahead of schedule, with our original estimate of synergies of at least £3.0 million per annum now increased to at least £3.5 million per annum.

The estate is a good geographical fit, is almost entirely freehold, and offers scope for development. Of the 40 managed pubs in the estate, we expect to transfer nine to tenancy during the second half-year. The overall reaction from Burtonwood tenants has been very encouraging and supportive, with positive endorsements of the wider range of both beer brands and tenancy or lease agreements available. We are now in the process of reviewing the estate to determine the suitability of individual pubs for investment and conversion to lease, and within the managed estate, for conversion to our operating formats. The estate has traded satisfactorily and in line with our expectations since acquisition.

Effective cost management has also contributed to our performance. Operating margin of 20.7% was maintained in line with last year despite significant increases in regulatory costs outside our control.

Regulation

We are well prepared for the changes that will be introduced by licensing reform from the end of this year. In the vast majority of cases the changes to opening hours sought will be modest but will, we believe, benefit our business.

We are also preparing for the impact of a proposed ban on smoking in public places which, if introduced as drafted, will affect pubs from the end of 2008. In Pathfinder Pubs we have already invested significantly in outside trading areas – mainly on patios and gardens – and will extend this investment programme over the next two years. We are opening more smoke-free pubs and are currently introducing a policy which will see smoking at the bar prohibited in all of our managed pubs by the end of 2005. We are encouraging our tenants and lessees to adopt similar changes so that across our pub estates we are prepared for the challenges and opportunities presented by regulatory change.

Pathfinder Pubs

(comprising 537 managed pubs, 2004: 473 pubs). Turnover and operating profit from the former Burtonwood estate are not included within the figures below having been separately identified within the segmental analysis in note 2 to the accounts.

Total turnover increased by 19.2% to £143.5 million. Total like-for-like sales increased by 3.1% in the 24 weeks to 19 March 2005, the last full trading week before the Easter holiday weekend, which fell in the second half-year in 2004.

Operating margin was 19.0% compared to 19.5% last year. Gross margin was 0.5% higher than last year, and although the minimum wage increased by 7.8% on 1 October 2004, total payroll costs as a percentage of sales were in line with last year. Operating profit increased by 15.7% to £27.2 million.

The investment we are making in our pub estate is generating good returns, with the cash return on invested capital from both refurbishments and pub acquisition or new-build pubs exceeding 20%. The majority of our investment is being made in pubs positioned to capture growth in informal dining, including the continuing development of pubs in both our 'Bostin' Local' and 'Service That Suits' formats.

In addition to the integration of 40 pubs from the Burtonwood estate, during the first half-year we invested £7.8 million on new-build developments and pub acquisitions and invested £9.9 million on 33 major refurbishments.

We invested £5.5 million on purchasing the freeholds of a number of properties, including the Pitcher & Piano bars in Nottingham and Swansea. These investments provide us with greater operational flexibility and the potential for future capital appreciation.

During the year ended 2 October 2004, 41 smaller pubs were transferred to The Union Pub Company, and a further 20 pubs are expected to be transferred during the second half of this year. Six pubs were sold at a profit to book values, including three pubs from the Wizard Inns estate.

The Union Pub Company

(comprising 1,610 pubs, 2004: 1,132 pubs). Turnover and operating profit from the former Burtonwood estate are not included within the figures below having been separately identified within the segmental analysis in note 2 to the accounts.

Total turnover increased by 10.1% to £62.4 million. Total like-for-like sales increased by 3.2% in the 24 weeks to 19 March 2005, the last full trading week before the Easter holiday weekend, which fell in the second half-year in 2004.

Operating margin was 43.1% compared to 42.9% last year. Operating profit increased by 10.7% to £26.9 million.

In addition to growth in underlying sales, average profit per pub increased by 5.0%. This strong performance is a reflection of the high quality nature of our estate, the positive impact of the increased number of 21-year leases, and the transfer of 41 pubs from Pathfinder Pubs in 2004.

We now have terms agreed for nearly 600 21-year leases, and our assessment of the pubs from the former Burtonwood estate is that up to half of the 429 pubs which will be operated by The Union Pub Company are suitable for conversion to lease. We anticipate that conversion, together with the associated lease preparation investment, will be achieved over the next three years and will result in a substantial uplift in pub performance.

During the first half-year we invested £5.7 million on 11 individual pub acquisitions. The return on investment being achieved on pub acquisitions is in line with our targets. We also invested £7.8 million on pub refurbishment. Our objective is continuous improvement in the quality of our pub estate, and this investment is an important driver.

WDB Brands

Total turnover increased by 5.5% to £59.9 million. Operating margin was 15.4% compared to 16.0% last year, and operating profit increased by 1.1% to £9.2 million.

Our brands have significantly out-performed the UK market in the first half-year. The volume of our core own-brewed brands was 4.3% ahead of last year in a market down by over 5%. Marston's Pedigree volumes increased by 12.6%, with premium ale in total (including Old Empire) up by 13.9%, and standard ale (including the Banks's and Mansfield brands) up by 0.2%.

We have expanded in the Free Trade market, with turnover up by nearly 7% compared to last year. We also benefited from new distribution agreements with pub companies. In February this year we took on the brewing of Draught Bass at the Marston's brewery in Burton Upon Trent. We now brew two of the top premium ale brands in the country, and have become the largest brewer of cask beer in the UK. The acquisition of Jennings represents a good opportunity to develop the Jennings brands both in the North-West and in our own pub estates.

Our success in significantly increasing distribution through other pub companies has impacted on margins as anticipated. The contribution from new business won, including Free Trade and Contract Services, has offset higher operating costs as a result of increased energy costs.

At the same time we have continued to invest in our brands and have current marketing campaigns supporting Marston's Pedigree and the Banks's brands. We also opened a new brewhouse at the Marston's brewery in April 2005 at a cost of around £2 million.

Current Trading

Trading over the Easter bank holiday weekend and since 2 April 2005 has been good and in line with expectations. In the 32 weeks ended 14 May 2005, total like-for-like sales were 3.2% ahead of last year in Pathfinder Pubs, and 3.0% ahead in The Union Pub Company. In WDB Brands, volumes of our own-brewed beer brands were 4.3% ahead of last year.

Ralph Findlay
Chief Executive

Financial review

This good overall performance has been driven by strong like-for-like sales.... and excellent cost control across the Group.

Trading Overview	Turnover 2005 £m	Turnover 2004 £m	Underlying operating profit (note 2) 2005 £m	Underlying operating profit (note 2) 2004 £m	Margin 2005 %	Margin 2004 %
Pathfinder Pubs	**143.5**	120.4	**27.2**	23.5	**19.0**	19.5
The Union Pub Company	**62.4**	56.7	**26.9**	24.3	**43.1**	42.9
WDB Brands	**59.9**	56.8	**9.2**	9.1	**15.4**	16.0
Central costs	**–**	–	**(8.8)**	(8.4)	**(3.2)**	(3.6)
Continuing operations	**265.8**	233.9	**54.5**	48.5	**20.5**	20.7
Acquisition of Burtonwood	**11.8**	–	**2.9**	–	**24.6**	–
Group	**277.6**	233.9	**57.4**	48.5	**20.7**	20.7

These are strong Group results, including an 18.7% increase in turnover, an 18.4% increase in underlying operating profit, a 13.6% increase in underlying profit before tax, and a 10.2% increase in underlying earnings per share. As a consequence, the dividend per share is increased by 10.0% to 13.2 pence per share, representing a continuation of our progressive dividend policy.

Operating profit after goodwill and exceptional items was up by 14.3%. Profit before taxation and after goodwill and exceptional items was up by 12.8%. Basic earnings per share (after goodwill and exceptional items) increased by 12.6% to 30.4 pence per share.

This good overall performance has been driven by strong like-for-like sales in both pub divisions, the benefit of the Wizard Inns and Burtonwood acquisitions and excellent cost control across the Group. These results also include approximately £2.5 million of turnover and £0.9 million of operating profit as a result of Easter falling into the first half of this year, compared to in the second half last year.

Maintained Margin

The underlying operating margin of the Group was maintained at 20.7% despite significant cost increases. These increases have mainly impacted Pathfinder Pubs and include increases of 7.8% in the National Minimum Wage, £1.1 million in utility costs and £0.4 million in Sky TV costs.

Strong cashflow

Cashflow from operating activities increased by 19.4% to £68.3 million. Free cashflow, after the payment of interest, tax and maintenance capital, increased by 58.2% to £23.1 million.

Acquisition of Burtonwood

Burtonwood was acquired on 6 January 2005 for £167.6 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 cost of £42.7 million. The Burtonwood fixed assets have subsequently been independently valued at £185.4 million. Negative goodwill arising as a result of the acquisition was £6.0 million (see note 7).

Estate revaluation surplus

Last year, 75% of our pub estate was re-valued in accordance with our accounting policy. The remaining 25% is currently in the process of being re-valued. Early indications suggest an average 25% increase compared to book values, which is equivalent to a net gain of around £50 million. We anticipate a modest impairment charge to the profit and loss account, mainly relating to certain leasehold properties. The full results of this revaluation will be included in our 2005 year-end accounts.

On the balance sheet, the revaluation gains in 2004 more than offset debt raised to finance the acquisitions of Wizard Inns and Burtonwood. As a result, balance sheet gearing has fallen to 101.5% as at 2 April 2005 from 103.4% as at 27 March 2004.

Conservatively financed
Despite the recent acquisitions of Wizard Inns and Burtonwood the Group remains conservatively financed. On a 12-month pro-forma basis to 2 April 2005 the ratio of net debt to EBITDA (earnings before interest, taxation, depreciation and amortisation) was 4.1 times and interest cover 3.2 times.

Following our recent acquisitions we are currently reviewing the most appropriate long term financing structure of the Group with the objective of increasing flexibility, lengthening the maturity of our debt, and reducing costs.

Taxation
The underlying rate of taxation (before goodwill and exceptional items) increased marginally from 30.3% in 2004 to 30.8% in 2005.

Exceptional items and goodwill
There was a £1.7 million profit on exceptional items excluding goodwill. This comprised a £2.8 million profit on the sale of fixed assets, a taxation credit of £1.0 million, offset by £2.1 million of costs relating to the reorganisation of Burtonwood. In addition, goodwill amortisation and impairment in the half-year amounted to £4.1 million (see note 3).

Accounting policies and International Financial Reporting Standards
There have been no changes to our accounting policies since last year's Annual report.

The Annual report for the year to 1 October 2005 will be the last prepared under UK accounting standards. The Group will report under International Financial Reporting Standards ('IFRS') from the next financial year, with the first results due to be announced on this basis being the interim accounts to 1 April 2006, including the restatement of comparatives on an IFRS basis.

We are currently working with our auditors to confirm the likely impact on our accounts. The main areas affected are expected to be deferred taxation, pensions, share based payments, financial instruments, goodwill and accrued dividends. There will be no impact on cash flow or our banking covenants.

Paul Inglett
Finance Director

Group profit and loss account
(Unaudited)

for the 26 weeks ended 2 April 2005

	26 weeks to 2 April 2005			26 weeks to 27 March 2004			53 weeks to 2 October 2004
	Before goodwill and exceptionals £m	**Goodwill and exceptionals £m**	**Total £m**	Before goodwill and exceptionals £m	Goodwill and exceptionals £m	Total £m	Total £m
Turnover							
Continuing operations	**265.8**	**–**	**265.8**	233.9	–	233.9	513.7
Acquisition	**11.8**	**–**	**11.8**	–	–	–	–
Total turnover	**277.6**	**–**	**277.6**	233.9	–	233.9	513.7
Trading expenses	**(220.2)**	**(6.2)**	**(226.4)**	(185.4)	(3.7)	(189.1)	(412.8)
Operating profit							
Continuing operations	**54.5**	**(4.1)**	**50.4**	48.5	(3.7)	44.8	100.9
Acquisition	**2.9**	**(2.1)**	**0.8**	–	–	–	–
Total operating profit	**57.4**	**(6.2)**	**51.2**	48.5	(3.7)	44.8	100.9
Fixed asset disposals	**–**	**2.8**	**2.8**	–	0.9	0.9	4.5
Profit on ordinary activities before interest	**57.4**	**(3.4)**	**54.0**	48.5	(2.8)	45.7	105.4
Interest	**(21.4)**	**–**	**(21.4)**	(16.8)	–	(16.8)	(35.2)
Profit on ordinary activities before taxation	**36.0**	**(3.4)**	**32.6**	31.7	(2.8)	28.9	70.2
Taxation	**(11.1)**	**1.0**	**(10.1)**	(9.6)	0.3	(9.3)	(21.8)
Profit on ordinary activities after taxation	**24.9**	**(2.4)**	**22.5**	22.1	(2.5)	19.6	48.4
Dividends paid and proposed			**(10.1)**			(8.7)	(25.6)
Profit for the period transferred to reserves			**12.4**			10.9	22.8

Earnings per share:			
Basic earnings per share	**30.4p**	27.0p	66.7p
Basic earnings per share before goodwill and exceptionals	**33.6p**	30.5p	75.8p
Diluted earnings per share	**30.0p**	26.7p	65.9p
Diluted earnings per share before goodwill and exceptionals	**33.2p**	30.1p	74.9p

Group cash flow statement
(Unaudited)

for the 26 weeks ended 2 April 2005

	26 weeks to 2 April 2005		26 weeks to 27 March 2004		53 weeks to 2 October 2004	
	£m	**£m**	£m	£m	£m	£m
Net cash inflow from operating activities		**68.3**		57.2		148.4
Returns on investments and servicing of finance						
Interest received	**0.3**		0.4		0.6	
Interest paid	**(22.8)**		(21.6)		(34.9)	
Arrangement cost of new bank facilities	**(0.7)**		(2.0)		(2.1)	
Net cash outflow from returns on investments and servicing of finance		**(23.2)**		(23.2)		(36.4)
Taxation		**(10.7)**		(10.4)		(21.0)
Capital expenditure and financial investment						
Investment in existing business	**(35.4)**		(27.7)		(61.0)	
Purchase of new pubs/site developments	**(19.3)**		(3.9)		(20.9)	
Sale of tangible fixed assets	**8.8**		6.5		13.5	
Decrease in trade loans and other investments	**2.3**		1.8		3.5	
Net cash outflow for capital expenditure and financial investment		**(43.6)**		(23.3)		(64.9)
Acquisition						
Purchase of subsidiary undertaking	**(84.1)**		–		(30.3)	
Net cash acquired with subsidiary undertaking	**5.8**		–		7.5	
Repayment of debt of subsidiary upon acquisition	**–**		–		(68.5)	
Net cash outflow for acquisition		**(78.3)**		–		(91.3)
Equity dividends paid		**(17.6)**		(15.4)		(24.1)
Cash outflow before financing		**(105.1)**		(15.1)		(89.3)
Financing						
Issue of ordinary share capital	**0.8**		2.6		3.0	
Purchase of ordinary share capital for cancellation	**–**		(4.7)		(8.0)	
Net sale of own shares from share trust	**0.1**		0.9		1.1	
Capital element of finance lease payments	**(0.1)**		–		–	
Advance/(repayment) of loans	**117.1**		22.4		99.4	
Net cash inflow from financing		**117.9**		21.2		95.5
Increase in cash in the period		**12.8**		6.1		6.2

Reconciliation of net cash flow to movement in net debt						
Increase in cash in the period	**12.8**		6.1		6.2	
Cash inflow from increase in debt	**(116.3)**		(20.4)		(97.3)	
Change in debt resulting from cash flows		**(103.5)**		(14.3)		(91.1)
Debt acquired with subsidiary		**(43.8)**		–		–
Non-cash movements		**(7.0)**		(0.3)		(0.6)
Movement in net debt in the period		**(154.3)**		(14.6)		(91.7)
Net debt at 3 October 2004		**(560.4)**		(468.7)		(468.7)
Net debt at 2 April 2005		**(714.7)**		(483.3)		(560.4)

Group balance sheet
(Unaudited)

for the 26 weeks ended 2 April 2005

	2 April 2005	27 March 2004	2 October 2004
	£m	£m	£m
Fixed assets			
Goodwill	**105.0**	105.0	109.1
Negative goodwill	**(6.0)**	–	–
Intangible assets	**99.0**	105.0	109.1
Tangible assets	**1,395.2**	903.6	1,182.3
Investments	**22.4**	23.0	21.2
	1,516.6	1,031.6	1,312.6
Current assets			
Stocks	**13.5**	13.4	13.5
Debtors	**49.8**	39.5	45.0
Cash at bank and in hand	**24.9**	16.0	16.2
	88.2	68.9	74.7
Creditors – amounts falling due within one year	**(126.6)**	(109.7)	(138.7)
Net current liabilities	**(38.4)**	(40.8)	(64.0)
Total assets less current liabilities	**1,478.2**	990.8	1,248.6
Creditors – amounts falling due after more than one year	**(751.6)**	(506.9)	(583.1)
Provisions for liabilities and charges	**(22.3)**	(16.5)	(17.2)
	704.3	467.4	648.3

Capital and reserves			
Equity share capital	**22.6**	21.5	21.4
Non-equity share capital	**0.1**	0.1	0.1
Called-up share capital	**22.7**	21.6	21.5
Share premium account	**252.2**	209.5	209.9
Revaluation reserve	**321.7**	152.3	321.9
Capital redemption reserve	**6.0**	5.9	6.0
Profit and loss account	**101.7**	78.1	89.0
Shareholders' funds including non-equity interests of £0.1m (2004: £0.1m)	**704.3**	467.4	648.3
Capital employed	**704.3**	467.4	648.3

Notes

1 Basis of preparation of accounts

The interim accounts have been prepared in accordance with the accounting policies as stated in the accounts for the year ended 2 October 2004.

The financial information for the year ended 2 October 2004 is extracted from the audited financial statements for that year, which have been delivered to the Registrar of Companies. The auditors' report was unqualified and did not contain a statement under Section 237 (2) or (3) of The Companies Act 1985. The auditors have neither audited nor reviewed the interim accounts.

2 Segmental analysis

	2 April 2005			27 March 2004		
	Turnover £m	**Operating profit before goodwill and exceptionals £m**	**Net assets £m**	Turnover £m	Operating profit before goodwill and exceptionals £m	Net assets £m
Continuing operations:						
Pathfinder Pubs	**143.5**	**27.2**	**578.9**	120.4	23.5	410.2
The Union Pub Company	**62.4**	**26.9**	**489.0**	56.7	24.3	369.1
WDB Brands	**59.9**	**9.2**	**89.1**	56.8	9.1	87.2
Central costs	**–**	**(8.8)**	**21.8**	–	(8.4)	15.1
	265.8	**54.5**	**1,178.8**	233.9	48.5	881.6
Acquisition:						
Burtonwood	**11.8**	**2.9**	**183.1**	–	–	–
	277.6	**57.4**	**1,361.9**	233.9	48.5	881.6
Goodwill and exceptionals	**–**	**(6.2)**	**99.0**	–	(3.7)	105.0
Debt, tax and dividends	**–**	**–**	**(756.6)**	–	–	(519.2)
	277.6	**51.2**	**704.3**	233.9	44.8	467.4

	2 April 2005			27 March 2004		
	Operating profit after goodwill and exceptionals £m	**Goodwill and exceptionals £m**	**Goodwill asset £m**	Operating profit after goodwill and exceptionals £m	Goodwill and exceptionals £m	Goodwill asset £m
Continuing operations:						
Pathfinder Pubs	**25.6**	**1.6**	**38.6**	22.4	1.1	32.8
The Union Pub Company	**26.2**	**0.7**	**21.3**	23.3	1.0	22.7
WDB Brands	**8.8**	**0.4**	**5.6**	8.5	0.6	6.9
Central costs	**(10.2)**	**1.4**	**39.5**	(9.4)	1.0	42.6
	50.4	**4.1**	**105.0**	44.8	3.7	105.0
Acquisition:						
Burtonwood	**0.8**	**2.1**	**(6.0)**	–	–	–
	51.2	**6.2**	**99.0**	44.8	3.7	105.0

Notes

3 Goodwill and exceptionals

	2 April 2005 £m	27 March 2004 £m
Trading expenses		
Goodwill amortisation	**3.6**	3.4
Goodwill impairment following fixed asset disposals	**0.5**	0.3
Costs of reorganisation of Burtonwood	**2.1**	–
	6.2	3.7
Profit on fixed asset disposals	**(2.8)**	(0.9)
	3.4	2.8

4 Taxation

The taxation charge for the 26 weeks ended 2 April 2005 is calculated by applying an estimate of the effective tax rate for the year ending 1 October 2005.

	2 April 2005 £m	27 March 2004 £m
Current tax	**7.6**	8.8
Deferred tax	**2.5**	0.5
	10.1	9.3

5 Interim dividends

An interim dividend of £10.1m, being 13.2p per ordinary share and 3.0p per preference share has been proposed and will be paid on 24 June 2005 to those shareholders on the registers at the close of business on 3 June 2005.

Notes

6 Earnings per ordinary share

	2 April 2005			27 March 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	**22.5**	**74.1**	**30.4**	19.6	72.5	27.0
Diluted earnings per share	**22.5**	**75.0**	**30.0**	19.6	73.4	26.7
Supplementary earnings per share figures						
Basic earnings per share before goodwill and exceptionals	**24.9**	**74.1**	**33.6**	22.1	72.5	30.5
Diluted earnings per share before goodwill and exceptionals	**24.9**	**75.0**	**33.2**	22.1	73.4	30.1

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.

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 0.9m (2004: 0.9m).

Supplemental earnings per share figures are presented to exclude the effects of goodwill and exceptionals. The Directors consider that the supplementary figures provide a useful indication of performance.

Notes

7 Acquisition of 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 2 April 2005.

		Fair value adjustments		Provisional
	Book value £m	Revaluations £m	Other £m	fair value £m
Tangible fixed assets	140.9	44.5	–	185.4
Investments	4.1	–	–	4.1
Stock	1.0	–	–	1.0
Debtors	4.3	–	–	4.3
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**	**(3.6)**	**139.8**
Consideration (including acquisition fees)				
Cash				**84.1**
Share capital				**42.7**
Loan notes				**7.0**
Total consideration				**133.8**
Negative goodwill arising on consolidation				**(6.0)**

The attributed fair values are provisional. The revaluation adjustment reflects the valuation of the acquired estate as at 6 January 2005. The valuation was carried out by independent chartered surveyors, Gillman Jones, 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 reflect the valuation of the Burtonwood pension scheme and the market value of the Burtonwood debentures at acquisition date. Deferred tax has been recognised on these fair value adjustments.

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

Acquisition of equity	£m
Cash	(84.1)
Cash in hand of subsidiary	5.8
	(78.3)

Notes

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

	2 April 2005 £m	27 March 2004 £m	2 October 2004 £m
Total operating profit	**51.2**	44.8	100.9
Goodwill amortisation	**3.6**	3.4	7.0
Income from fixed asset investments	**(0.1)**	(0.3)	(0.4)
Depreciation charge	**18.9**	15.8	32.9
Decrease in pension cost provision	**(0.6)**	(0.8)	(1.5)
Decrease/(increase) in stocks	**1.0**	(0.9)	(0.5)
Increase in debtors	**(0.7)**	(4.2)	(3.3)
(Decrease)/increase in creditors	**(5.7)**	(0.9)	9.3
Exceptional operating charges with no cash impact	**0.7**	0.3	4.0
Net cash inflow from operating activities	**68.3**	57.2	148.4

9 Analysis of net debt

	2 April 2005 £m	Cash flow £m	Non-cash flow £m	Acquisition £m	2 October 2004 £m
Cash					
Cash at bank and in hand	**24.9**	8.7	–	–	16.2
Bank overdraft	**–**	4.1	–	–	(4.1)
	24.9	12.8	–	–	12.1
Debt due within one year					
Loan stock	**(0.1)**	–	–	–	(0.1)
Bank loans	**1.1**	0.7	–	–	0.4
Finance leases	**(0.1)**	0.1	(0.1)	–	(0.1)
	0.9	0.8	(0.1)	–	0.2
Debt due after one year					
Bank loans	**(486.6)**	(117.2)	–	(15.0)	(354.4)
Finance leases	**(0.3)**	–	(0.1)	–	(0.2)
Debenture loans	**(246.7)**	–	0.2	(28.8)	(218.1)
Other loans	**(6.9)**	0.1	(7.0)	–	–
	(740.5)	(117.1)	(6.9)	(43.8)	(572.7)
	(714.7)	(103.5)	(7.0)	(43.8)	(560.4)

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

Notes

10 Reconciliation of movement in Group shareholders' funds

	2 April 2005 £m	27 March 2004 £m	2 October 2004 £m
Profit on ordinary activities after taxation	**22.5**	19.6	48.4
Dividends	**(10.1)**	(8.7)	(25.6)
Profit for the period transferred to reserves	**12.4**	10.9	22.8
Revaluation of properties	**–**	–	171.7
Proceeds of ordinary share capital issued	**43.5**	2.6	3.0
Purchase of own shares for cancellation	**–**	(4.7)	(8.0)
Net sale of own shares from share trust	**0.1**	0.9	1.1
Net addition to shareholders' funds	**56.0**	9.7	190.6
Opening shareholders' funds	**648.3**	457.7	457.7
Closing shareholders' funds	**704.3**	467.4	648.3

11 Interim report

The interim report was approved by the Board on 20 May 2005.

12 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.

Designed by Z3 2005

Marston's Resolution and Old Empire have contributed to WDB Brands' market share growth.

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