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

3 December 2004

THE WOLVERHAMPTON & DUDLEY BREWERIES, PLC
PRELIMINARY RESULTS 53 WEEKS ENDED 2 OCTOBER 2004

- Record underlying* earnings per share up 10% to 75.8p (2003: 68.9p)
  - basic earnings per share of 66.7 pence, up 25.8%. (2003: 53.0p)
- Dividend raised to 35.32p per share, up 10% (2003: 32.1p)
- Underlying profit before taxation up 6.3% to £77.7 million (profit before taxation and after goodwill and exceptionals up 17.8% to £70.2 million)
- The Union Pub Company like-for-like sales up 4.3%
- Pathfinder Pubs like-for-like sales up 3.2%
- Successful integration of Wizard Inns
- Property revaluation gains of £169.5 million
- Underlying profit and margins up in all three divisions
- Recommended £119.9 million cash offers for Burtonwood PLC

Ralph Findlay, Chief Executive, commented:-

"We have a clear strategy to develop the business through continuing investment in our pubs and new sites, and in our beer brands. Organic growth is being achieved and the business has good momentum.

The first eight weeks of the new financial year have started well, and in the light of market conditions we believe that our business model and our approach to financing leave us well placed to outperform the sector."

* 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.

ENQUIRIES:

The Wolverhampton & Dudley Breweries, PLC
Ralph Findlay, Chief Executive
Paul Inglett, Finance Director
Tel: 020 7796 4133 on Friday 3 December 2004 only
01902 329517 thereafter

gcg hudson sandler
Andrew Hayes/Nick Lyon/
James Benjamin
Tel: 020 7796 4133

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 good results reflect the quality of our business and our focus on the successful organic development of our high quality pub estates and beer brands. The strong and consistent performance of the Group is being delivered from a sound base of excellent, freehold community pubs and from our position as a leading brewer and distributor of popular ale brands. We are well positioned to continue our successful development.

Today we have announced that we have reached agreement on the terms of recommended cash offers for Burtonwood PLC. Burtonwood has an excellent estate of 460 pubs which are a good geographic fit with our existing 1,675 pubs. Combining these estates represents an attractive opportunity to generate value by strengthening our position as a leading operator of high quality pubs across the country. Full details of these offers are contained in a separate announcement released today.

Results

Strong growth in like-for-like sales (on a comparable 52-week basis) and the acquisition of Wizard Inns on 14 June 2004 contributed to a 4.7% increase in turnover to £513.7 million (2003: £490.5 million).

Underlying operating margin of 22.0% (2003: 22.1%) was maintained as planned by increasing gross margins in all divisions, reducing controllable costs and further improving efficiencies. These positive actions offset increases in pension and regulatory costs. Underlying operating profit and operating margins were increased in all three of our business divisions.

Underlying profit before taxation increased by 6.3% to £77.7 million (after goodwill and exceptional items up 17.8% to £70.2 million), and underlying earnings per share increased by 10.0% to 75.8 pence per share (2003: 68.9 pence).

Dividend

The Board proposes a final dividend of 23.32 pence per share, which brings the total net dividend for the year to 35.32 pence per share (2003: 32.1 pence).

The year-on-year increase in dividend per share is 10.0%, commensurate with the 10.0% increase in underlying earnings per share. The Company has increased dividends by an average of over 10% per annum for a period of at least 30 years, and remains consistent in adopting a progressive dividend policy.

The final dividend, if approved, will be paid on 31 January 2005 to those shareholders on the register at the close of business on 31 December 2004.

Property revaluation

Our accounting policy requires us to value our property assets every five years. This year, 75% of our pubs fell into this category and were independently re-valued. The resulting uplift of £169.5 million has been adopted in the balance sheet, and represents an average uplift of 25% on pub values since these pubs were last re-valued in 1999. Next year, the remaining 25% will be re-valued in line with our accounting policy. By value, 96% of our property assets are freehold or long leaseholds at peppercorn rents.

Following the acquisition of Wizard Inns, that estate was independently valued at £85.8 million. Goodwill of £9.1 million has been accounted for, and is being amortised over twenty years.

Employees

The strong performance of the Group is a reflection of the diligence and creativity of our employees. We benefit significantly from having a blend of those who have been with the Group for many years, proving adaptable in different economic climates, and more recent recruits including those from Wizard Inns. I thank all of them for their contributions.

Over the last 24 months the Group has introduced new benefits for employees, many of which were introduced as a result of recommendations made in response to our annual employee feedback survey. We have met the Investors in People standards continuously since 1995, and aim to continue to be a business attracting and retaining the best people.

Prospects

The sector faces pressure from regulation which will have an impact on the way we do business. Whether to do with health, drinking behaviour or smoking, regulation places clear responsibilities upon us, and we take those responsibilities seriously. At the recent industry Responsible Drinks Retailing Awards, The Union Pub Company won the national award for 'Most Responsible Pub Company'.

In recent years, our industry has experienced significant cost increases as a consequence of regulation and other factors beyond our control, and it is likely that such costs will continue to rise.

Notwithstanding the regulatory and cost environments, there are good opportunities to develop the business, as demonstrated by these results.

The first eight weeks of the new financial year have started well, with total like-for-like sales in Pathfinder Pubs 3.2% ahead of last year, and in the Union Pub Company 4.2% ahead. In WDB Brands, volumes of our own brewed ale brands were 4.7% ahead of last year.

David Thompson
Chairman

CHIEF EXECUTIVE'S REVIEW

Business development

The combination of good like-for-like sales growth (on a comparable 52-week basis) in our pubs and maintained operating margins were again amongst the best in the industry, contributing to the 4.7% increase in turnover, the 6.3% increase in underlying profit before taxation, and the 10.0% increase in underlying earnings per share. We have a clear strategy to develop the business through continuing investment in our pubs and new sites and in our beer brands. Organic growth is being achieved and the business has good momentum.

This performance reflects the fact that we manage and operate high quality pubs and beer brands and manage our assets flexibly. Since 1999 we have sold over 900 pubs and transferred around 550 formerly managed pubs to lease or tenancy, and have achieved growth by accelerating pub investment through the development and acquisition of both community and food-led pubs. In WDB Brands, returns on capital have more than doubled since 2000, whilst capital employed has halved.

We also benefit from our proven approach to estate management: we have a preference for freehold rather than leasehold ownership of assets and for community pubs over high street pubs. As a consequence, we have benefited from capital appreciation in pub values and limited our exposure to the pitfalls affecting high street trading.

We were amongst the first to identify that targeted refurbishment investment in community pubs generates substantial returns, and relationships with tenants and lessees improves after introducing new ideas such as high discounts and independent rent review panels. Our vertically integrated model allows flexibility in dealing with regulatory or other cost pressures, and maximises our opportunity when making acquisitions.

Pathfinder Pubs

Turnover in our managed pubs division increased by 9.0% to £275.2 million, including a £13.4 million contribution from Wizard Inns. Underlying operating profit increased by 10.2% to £58.4 million, including a £2.0 million contribution from Wizard Inns.

Total like-for-like sales increased by 3.2%, a strong performance despite poorer summer weather than last year.

Like-for-like sales are, however, only one measure of performance. Underlying operating margin increased by 0.5% to 21.5%, an improvement achieved despite significant regulatory cost increases. This was the result of utilising the £6 million investment in electronic point of sale ('EPOS') systems made in 2003, better purchasing, and productivity improvements which held labour costs at the same percentage to sales ratio as in 2003.

Over the last four years, we have developed our food offering significantly. Food now accounts for 29% of turnover in Pathfinder Pubs, and can be up to 60% of turnover in our food-led pubs. Food will be a more important component of our business in the future, as refurbished and new-build pubs have higher than average levels of food sales.

We have seen consistent growth in the informal eating-out market, and our like-for-like sales growth in food this year was 7.8%. The reasons for our success include our focus on menu development, high standards of service and hygiene, and a clear value-for-money position in the market.

The development of Pathfinder Pubs accelerated in June 2004 with the acquisition of Wizard Inns. The Wizard Inns estate of 63 managed pubs is situated mainly in the South of England, and comprises outlets in residential neighbourhoods and in good locations in commercial areas. The estate is of exceptional quality and represents a very good fit with our existing business. The integration of Wizard Inns has gone smoothly with the head office and systems integration completed within ten weeks.

The anticipated synergies of at least £2.5 million per annum are already being realised, and performance has been in line with expectations. Opportunities exist to convert a number of sites to our existing operating formats.

During the year, we built or acquired five new community pubs with a further 30 sites in various stages of development. Building new freehold pubs enables us to grow our business in prime trading locations and in areas beyond our traditional trading geography. With an average investment of around £1.5 million per pub, we can create real value through organic development. We aim to build or acquire 20 new pubs in the new financial year.

During the year we completed 47 major refurbishments of existing pubs, with an average investment of around £300,000 per pub. We now have over 100 'Bostin' Locals' – great value community pubs – and over 30 'Service That Suits' – larger food-led pubs. These investments have produced consistent cash returns in excess of 20% over the last four years, and have provided us with the template for new-build pubs on greenfield sites. The operating formats for 'Bostin' Locals' and 'Service That Suits' have continued to evolve, and we believe that our overall offer is amongst the best in the community pub sector.

We refurbished five Pitcher & Piano bars during the year, and have achieved good results. Six more will be completed in the new financial year.

During the year we transferred 41 smaller managed pubs to The Union Pub Company. These are good pubs which are more suited to being run flexibly by lessees or tenants, and as such can be operated more cost effectively.

As a consequence of the development of the Pathfinder Pubs estate, average turnover per pub is around £11,300 per week, up 11.9%, and the average annual EBITDA (earnings before interest, tax, depreciation and amortisation) per pub is £177,200, up 12.0%.

The Union Pub Company

Turnover in our leased and tenanted pub division increased by 2.1% to £118.2 million, and underlying operating profit by 3.9% to £50.9 million. Underlying operating margin increased from 42.3% to 43.1%. Like-for-like sales increased by 4.3%.

In addition to strong like-for-like sales growth, the average EBITDA per pub is approximately £57,600 per year, up 7.7% compared to 2003.

The Union Pub Company is regarded by many as one of the best quality leased and tenanted estates in the sector with an average barrelage per pub of over 280 barrels per year. Of the 1,162 pubs in the estate, over 500 are now under long-term (21-year) lease agreements. The introduction of our 'Open House' lease in 2002 has proved to be an extremely popular move, and the demand for pubs to be let under this agreement has exceeded our initial expectations.

The Union Pub Company has consistently introduced innovative ideas which enhance our relationship with licensees. In 2000, we were the first pub operator to insist on 'Plain English' agreements which help tenants and lessees understand the nature of their obligations. In 2001, we were the first to introduce independently chaired 'rent panels' to ensure a fair rent setting process. In 2003, we were the first to commit resource to helping tenants through the licensing reform process.

This year, we developed a facility which allows tenants and lessees to benefit from our Group purchasing power for items such as utilities, food and equipment, and introduced new programmes to help licensees exploit their pubs' potential to make more from specific sales categories such as food and wine. Our training programme 'The Skill Pool' saw a record number of attendees.

The development of our estate is also contributing to our good performance. We acquired 20 new pubs last year, investing £9.3 million, and we aim to acquire around thirty in the new financial year. The pubs we seek to acquire are generally those suitable for lease, with an existing food operation or the potential to develop one.

We also invested £18.3 million on pub refurbishment through a combination of investment made before leasing pubs or joint schemes undertaken with the licensee.

During the year, 41 smaller managed pubs were transferred from Pathfinder Pubs. In the last five years, we have moved over 550 pubs from management to tenancy or lease.

WDB Brands

Turnover was £120.3 million compared to £122.3 million last year. Turnover in the second half-year was 1.9% ahead of last year, the first half-year reflecting the termination of a large low-margin supply contract last year. Underlying operating margin increased by 0.4% to 17.8%, and underlying operating profit increased by 0.5% to £21.4 million.

WDB Brands is the largest ale business amongst its peer group – those who both brew beer and own and operate pubs (source: ACNielsen). Although the market overall is mature, there are real opportunities for beer businesses that are truly passionate about ale – in terms of brand awareness, beer quality and all areas of service and delivery.

In total, WDB Brands delivered 1.2 million equivalent barrels of all products to the on-trade last year - the equivalent of nearly one million pints a day. We pride ourselves on very high standards of service from our customer service centres, draymen and beer quality technicians, all of whom have direct customer contact. We adopt the same philosophy in the parts of the business that customers do not see – in our maltings, breweries in Wolverhampton and Burton, our modern bottling line and warehouses. The feedback we have from customers indicates that our high performance standards are amongst the key reasons why we are winning new business.

In the last two years, we have developed a strong business offering services which include bottling, packaging and distribution to a wide range of customers, including regional and national brewers. In 2005, we will become the brewer of Draught Bass at the Burton brewery on behalf of Interbrew UK – a move that will see us become the largest cask ale brewer in the UK, and brewer of two of the top premium ales in the country – Marston's Pedigree and Draught Bass.

Over the last two years we have introduced a number of new products, including Marston's Old Empire – 'the authentic IPA'. Together with Marston's Pedigree's strong performance, they contributed to a 4.6% increase in premium ale volumes last year, and an increase in market share.

In standard ale, which includes the Banks's and Mansfield brands, our performance was in line with the market.

We continue to invest in our breweries and our brands. Early in the New Year we will complete a £2.3 million investment at the Burton brewery, including a new brewhouse and refrigeration plant which will improve efficiency and environmental performance. We have also just launched a new television marketing campaign for Marston's Pedigree.

In the new financial year, we will benefit from new distribution agreements with J D Wetherspoon and Mitchells & Butlers, which represent excellent opportunities to increase the availability of our brands.

Outlook

We continue to make good progress in acquiring new sites and pubs in line with our plans and we believe that we are in a strong position to exploit good acquisition opportunities. In evaluating opportunities, the most important benchmark is the extent to which acquisitions can generate sustainable returns at a satisfactory margin above our cost of capital. We would expect any acquisition to be earnings enhancing.

The Chairman has referred to regulatory pressures in his Statement. The Government recently published a White Paper proposing a ban on smoking in public places, including the majority of pubs, by the end of 2008. There will be a consultation process before proposals are eventually finalised, but in the meantime we have already carried out significant investment in pub gardens and patios, which would not be affected by a ban, and we will increase the number of smoke free pubs over time.

Our gearing level is prudent, providing us with considerable flexibility to take advantage of opportunities as they arise. From current levels, we have scope to increase debt whilst still remaining conservatively financed.

The first eight weeks of the new financial year have started well, and in the light of market conditions, we believe that our business model and our approach to financing leave us well placed to out-perform the sector.

Ralph Findlay
Chief Executive

FINANCIAL REVIEW

Trading overview

	Turnover		Underlying operating profit (note 1)		Margin	
	2004	2003	**2004**	2003	**2004**	2003
	£m	£m	**£m**	£m	**%**	%
Pathfinder Pubs	**261.8**	252.4	**56.4**	53.0	**21.5**	21.0
The Union Pub Co.	**118.2**	115.8	**50.9**	49.0	**43.1**	42.3
WDB Brands	**120.3**	122.3	**21.4**	21.3	**17.8**	17.4
Central costs	**-**	-	**(17.8)**	(15.1)	**(3.5)**	(3.1)
Continuing operations	**500.3**	490.5	**110.9**	108.2	**22.2**	22.1
Acquisition of Wizard	**13.4**	-	**2.0**	-	**14.9**	-
Group	**513.7**	490.5	**112.9**	108.2	**22.0**	22.1

We have again delivered strong earnings growth, driven by good underlying like-for-like sales in the pub divisions and very tight cost management across the Group. Underlying operating profit increased by 4.3% to £112.9 million (operating profit after goodwill and exceptionals was up 4.6% to £100.9 million). The 2004 results are based on a 53-week financial year, with profit before tax benefiting by approximately £1.5 million compared to the previous year.

Margins

Underlying operating margins (excluding the impact of the Wizard Inns acquisition) increased to 22.2% - an excellent performance given the significant cost increases the Group has had to absorb over the last year, particularly from pension contributions and a 7.1% increase in the National Minimum Wage.

Strong cashflow

We continue to be a strongly cash generative business. Cashflow from operating activities increased by 13.4% to £148.4 million. Free cashflow, after the payment of interest, tax and maintenance capital, increased by 23.8% to £68.1 million.

Earnings per share

Underlying earnings per share increased by 10.0% to 75.8 pence per share, driven by a 6.3% increase in profit before taxation, and a lower effective tax rate (basic earnings per share was 66.7 pence, an increase of 25.8%).

Acquisition of Wizard Inns

Wizard Inns was acquired on 14 June 2004 for £91.3 million, including acquisition costs and the repayment of £68.5 million of debt. The acquisition was funded from existing bank facilities. The estate of 63 pubs has been independently valued at £85.8 million. Goodwill arising as a result of the acquisition was £9.1 million and is being amortised over 20 years (see note 10).

Estate revaluation

The net uplift from the revaluation of our estate of £169.5 million has been reflected in the balance sheet, comprising a £171.7 million gain to reserves and a £2.2 million charge to the profit and loss account. The majority of this surplus relates to our pub divisions, with a £76.8 million gain in Pathfinder Pubs and a £78.0 million gain in The Union Pub Company. The remainder relates to a £7.0 million gain on our brewing assets and a £7.7 million gain on our unlicensed property estate.

As a result of the revaluation gain, balance sheet gearing has fallen to 86% at the year-end from 102% as at September 2003.

Capital expenditure

In addition to the acquisition of Wizard Inns there has been a significant increase in capital expenditure, with total spend across the Group increasing by £34.0 million to £81.9 million. The majority of this has been driven by increased investment in pub acquisitions and an increase in new build developments and sites within Pathfinder Pubs. We expect Group capital expenditure to rise by a further £13 million in 2005, driven by the new build development program in Pathfinder Pubs.

Treasury

Despite the significant increase in capital expenditure and the acquisition of Wizard Inns, the Group remains conservatively financed relative to the sector. Interest cover as defined by our banking facilities is 3.3 times, whilst the ratio of debt to EBITDA including the contribution of Wizard Inns on an annualised basis has increased to 3.7 times.

We now have £300 million of medium term interest rate swaps in place, in addition to £220 million of debentures. As a result, around 93% of the Group's net debt is either fixed or hedged.

Taxation

The underlying rate of taxation (before goodwill and exceptional items) reduced from 31.5% in 2003 to 29.2% in 2004 as a result of the release of various provisions following the agreement of prior year tax computations.

Pensions

We continue to account for pensions under SSAP 24. If FRS 17 had been adopted, the Group's pension net deficit after tax would have reduced to £46.0 million this year-end compared to £56.6 million last year-end.

Exceptional items and goodwill

Goodwill amortisation and impairment in the year amounted to £8.7 million. There was a £2.1 million profit on exceptional items excluding goodwill. This comprised a £4.5 million profit on the sale of fixed assets, a taxation credit of £0.9 million, offset by £1.1 million of costs relating to the reorganisation of Wizard Inns and a £2.2 million write down of certain property values following the estate revaluation (see note 2).

Accounting policies

The Group has adopted UITF 38 “Accounting for ESOP Trusts”. There have been no other changes to our accounting policies since last year’s annual report.

International Financial Reporting Standards

The Group will be required to adopt International Financial Reporting Standards (IFRSs) when reporting its accounts for the year ending September 2006. In preparation, a project team has been formed. It has reviewed all current IFRSs and is considering the likely impact on the Group’s results.

Paul Inglett
Finance Director

Group profit and loss account

for the 53 weeks ended 2 October 2004	2004 Before goodwill and exceptionals £m	2004 Goodwill and exceptionals £m	2004 Total £m	2003 Before goodwill and exceptionals £m	2003 Goodwill and exceptionals £m	2003 Total £m
Turnover						
Continuing operations	**500.3**	**-**	**500.3**	490.5	-	490.5
Acquisition of Wizard Inns	**13.4**	**-**	**13.4**	-	-	-
Total turnover	**513.7**	**-**	**513.7**	490.5	-	490.5
Trading expenses	**(400.8)**	**(12.0)**	**(412.8)**	(382.3)	(11.7)	(394.0)
Operating profit						
Continuing operations	**110.9**	**(10.8)**	**100.1**	108.2	(11.7)	96.5
Acquisition of Wizard Inns	**2.0**	**(1.2)**	**0.8**	-	-	-
Total operating profit	**112.9**	**(12.0)**	**100.9**	108.2	(11.7)	96.5
Fixed asset disposals	**-**	**4.5**	**4.5**	-	(1.8)	(1.8)
Profit on ordinary activities before interest	**112.9**	**(7.5)**	**105.4**	108.2	(13.5)	94.7
Interest	**(35.2)**	**-**	**(35.2)**	(35.1)	-	(35.1)
Profit on ordinary activities before taxation	**77.7**	**(7.5)**	**70.2**	73.1	(13.5)	59.6
Taxation	**(22.7)**	**0.9**	**(21.8)**	(23.0)	1.9	(21.1)
Profit on ordinary activities after taxation	**55.0**	**(6.6)**	**48.4**	50.1	(11.6)	38.5
Dividends paid and proposed			**(25.6)**			(23.3)
Profit for the period transferred to reserves			**22.8**			15.2

Earnings per share:	2004	2003
Basic earnings per share	**66.7p**	53.0p
Basic earnings per share before goodwill and exceptionals	**75.8p**	68.9p
Diluted earnings per share	**65.9p**	52.5p
Diluted earnings per share before goodwill and exceptionals	**74.9p**	68.3p

Group cash flow statement

	2004		2003 restated	
for the 53 weeks ended 2 October 2004	**£m**	**£m**	£m	£m
Net cash inflow from operating activities		**148.4**		130.9
Returns on investments and servicing of finance				
Interest received	**0.6**		0.6	
Interest paid	**(34.9)**		(35.4)	
Arrangement cost of new bank facilities	**(2.1)**		-	
Net cash outflow from returns on investments and servicing of finance		**(36.4)**		(34.8)
Taxation		**(21.0)**		(19.2)
Capital expenditure and financial investment				
Investment in existing pubs	**(61.0)**		(43.6)	
Purchase of new pubs/sites development	**(20.9)**		(4.3)	
Sale of tangible fixed assets	**13.5**		21.0	
Decrease in trade loans and other investments	**3.5**		3.0	
Net cash outflow for capital expenditure and financial investment		**(64.9)**		(23.9)
Acquisition				
Purchase of subsidiary undertaking	**(30.3)**		-	
Net cash acquired with subsidiary undertaking	**7.5**		-	
Repayment of debt of subsidiary upon acquisition	**(68.5)**		-	
Net cash outflow for acquisition		**(91.3)**		-
Equity dividends paid		**(24.1)**		(22.0)
Cash (outflow)/inflow before financing		**(89.3)**		31.0
Financing				
Issue of ordinary share capital	**3.0**		2.4	
Purchase of ordinary share capital for cancellation	**(8.0)**		(7.5)	
Net sale of own shares from share trust	**1.1**		2.4	
Capital element of finance lease payments	**-**		(0.3)	
Advance/(repayment) of bank loans	**99.4**		(36.7)	
Net cash inflow/(outflow) from financing		**95.5**		(39.7)
Increase/(decrease) in cash in the period		**6.2**		(8.7)
Reconciliation of net cash flow to movement in net debt				
Increase/(decrease) in cash in the period	**6.2**		(8.7)	
Cash (inflow)/outflow from (increase)/decrease in debt	**(97.3)**		37.0	
Change in debt resulting from cash flows		**(91.1)**		28.3
Non-cash movements		**(0.6)**		(0.1)
Movement in net debt in the period		**(91.7)**		28.2
Net debt at 28 September 2003		**(468.7)**		(496.9)
Net debt at 2 October 2004		**(560.4)**		(468.7)

The comparative cash flow statement has been restated, as explained in note 9.

Statement of total Group recognised gains and losses

for the 53 weeks ended 2 October 2004	**2004** **£m**	2003 £m
Profit on ordinary activities after taxation	**48.4**	38.5
Unrealised surplus on revaluation of properties	**171.7**	-
Total recognised gains relating to the period	**220.1**	38.5

Note of Group historical cost profits and losses

for the 53 weeks ended 2 October 2004	**2004** **£m**	2003 £m
Profit on ordinary activities before taxation	**70.2**	59.6
Realisation of property revaluation gains of previous periods	**2.3**	1.8
Difference between the historical cost depreciation and actual depreciation on the revalued amount	**0.9**	0.7
Historical cost profit before taxation	**73.4**	62.1
Historical cost profit after taxation and dividends	**26.0**	17.7

Reconciliation of movements in Group shareholders' funds

for the 53 weeks ended 2 October 2004	**2004** **£m**	2003 restated £m
Profit on ordinary activities after taxation	**48.4**	38.5
Dividends	**(25.6)**	(23.3)
Profit for the period transferred to reserves	**22.8**	15.2
Revaluation of properties	**171.7**	-
Proceeds of ordinary share capital issued	**3.0**	2.7
Purchase of own shares for cancellation	**(8.0)**	(7.5)
Net sale of own shares from share trust	**1.1**	2.4
Contribution to QUEST	**-**	(0.3)
Net addition to shareholders' funds	**190.6**	12.5
Opening shareholders' funds (originally £460.0m before deducting prior year adjustment of £2.3m)	**457.7**	445.2
Closing shareholders' funds	**648.3**	457.7

Group balance sheet

as at 2 October 2004	2004 £m	2003 restated £m
Fixed assets		
Intangible assets	**109.1**	108.7
Tangible assets	**1,182.3**	889.9
Investments	**21.2**	24.8
	1,312.6	1,023.4
Current assets		
Stocks	**13.5**	12.5
Debtors	**45.0**	37.2
Cash at bank and in hand	**16.2**	11.9
	74.7	61.6
Creditors - amounts falling due within one year	**(138.7)**	(183.2)
Net current liabilities	**(64.0)**	(121.6)
Total assets less current liabilities	**1,248.6**	901.8
Creditors - amounts falling due after more than one year	**(583.1)**	(428.1)
Provisions for liabilities and charges	**(17.2)**	(16.0)
	648.3	457.7
Capital and reserves		
Equity share capital	**21.4**	21.5
Non-equity share capital	**0.1**	0.1
Called up share capital	**21.5**	21.6
Share premium account	**209.9**	207.1
Revaluation reserve	**321.9**	153.4
Capital redemption reserve	**6.0**	5.7
Profit and loss account	**89.0**	69.9
Shareholders' funds including non-equity interests of £0.1m (2003: £0.1m)	**648.3**	457.7
Capital employed	**648.3**	457.7

The comparative balance sheet has been restated as explained in note 9.

1. Segmental analysis

	2004			2003		
	Turnover	**Operating profit before goodwill and exceptionals**	**Net assets**	Turnover	Operating profit before goodwill and exceptionals	Net assets restated
	£m	**£m**	**£m**	£m	£m	£m
Pathfinder Pubs						
Continuing operations	**261.8**	**56.4**	**498.4**	252.4	53.0	415.6
Acquisition of Wizard Inns	**13.4**	**2.0**	**84.6**	-	-	-
Total	**275.2**	**58.4**	**583.0**	252.4	53.0	415.6
The Union Pub Company	**118.2**	**50.9**	**452.8**	115.8	49.0	345.5
WDB Brands	**120.3**	**21.4**	**84.8**	122.3	21.3	83.6
Central costs	**-**	**(17.8)**	**24.2**	-	(15.1)	16.6
	513.7	**112.9**	**1,144.8**	490.5	108.2	861.3
Goodwill and exceptionals	**-**	**(12.0)**	**109.1**	-	(11.7)	108.7
Debt, tax and dividends	**-**	**-**	**(605.6)**	-	-	(512.3)
	513.7	**100.9**	**648.3**	490.5	96.5	457.7

The net revaluation gain of £169.5m detailed in note 6, comprises a gain of £76.8m in Pathfinder Pubs, £78.0m in The Union Pub Company, £7.0m in WDB Brands and £7.7m in the Central unlicensed property estate.

	2004			2003		
	Operating profit after goodwill and exceptionals	**Goodwill and exceptionals**	**Goodwill asset**	Operating profit after goodwill and exceptionals	Goodwill and exceptionals	Goodwill asset
	£m	**£m**	**£m**	£m	£m	£m
Pathfinder Pubs						
Continuing operations	**48.4**	**8.0**	**31.1**	50.6	2.4	33.9
Acquisition of Wizard Inns	**0.8**	**1.2**	**9.0**	-	-	-
Total	**49.2**	**9.2**	**40.1**	50.6	2.4	33.9
The Union Pub Company	**51.3**	**(0.4)**	**22.1**	47.0	2.0	23.7
WDB Brands	**21.3**	**0.1**	**6.0**	16.1	5.2	7.5
Central Costs	**(20.9)**	**3.1**	**40.9**	(17.2)	2.1	43.6
	100.9	**12.0**	**109.1**	96.5	11.7	108.7

2. Goodwill and exceptionals

	2004 £m	2003 £m
Trading expenses:		
Goodwill amortisation	**7.0**	6.9
Goodwill impairment following fixed asset disposals	**1.7**	1.6
Impairment of fixed assets following revaluation	**2.2**	-
Termination of supplier contract	**-**	3.2
Costs of reorganisation of Wizard Inns	**1.1**	-
	12.0	11.7
(Profit)/loss on fixed asset disposals	**(4.5)**	1.8
	7.5	13.5

3. Taxation

	2004 £m	2003 £m
The charge to the profit and loss account comprises:		
Current tax:		
Corporation tax on profits for the period	**22.0**	21.2
Adjustment in respect of prior periods	**(0.6)**	(1.0)
	21.4	20.2
Deferred tax	**0.4**	0.9
	21.8	21.1

4. Dividends

	2004 £m	2003 £m
Ordinary shares		
Interim paid 12.00p per share net (2003: 10.90p)	**8.7**	7.9
Final proposed 23.32p per share net (2003: 21.20p)	**16.9**	15.4
Total dividends on ordinary shares 35.32p per share net (2003: 32.10p)	**25.6**	23.3

5. Earnings per share

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 (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 0.8 million (2003: 0.7 million).

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

	2004			2003		
	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	**48.4**	**72.6**	**66.7**	38.5	72.7	53.0
Diluted earnings per share	**48.4**	**73.4**	**65.9**	38.5	73.4	52.5
Supplementary earnings per share figures						
Basic earnings per share before goodwill and exceptionals	**55.0**	**72.6**	**75.8**	50.1	72.7	68.9
Diluted earnings per share before goodwill and exceptionals	**55.0**	**73.4**	**74.9**	50.1	73.4	68.3

6. Estate revaluation

At 2 October 2004, 75% of the Group estate was revalued by independent chartered surveyors. This has been reflected in the accounts as follows:

	£m
Exceptional items	
Revaluation loss - charged as an impairment	(13.9)
Reversal of past impairment loss	11.7
Net profit and loss account charge	**(2.2)**
Revaluation reserve	
Unrealised revaluation surplus	181.1
Reversal of past revaluation surplus	(9.4)
Net revaluation surplus taken to revaluation reserve	**171.7**
Net increase in shareholders' funds/fixed assets	**169.5**

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

	2004 £m	2003 £m
Total operating profit	**100.9**	96.5
Goodwill amortisation	**7.0**	6.9
Income from fixed asset investments	**(0.4)**	(0.5)
Depreciation charge	**32.9**	30.3
Decrease in pension cost provision	**(1.5)**	(0.1)
(Increase)/decrease in stocks	**(0.5)**	0.5
Increase in debtors	**(3.3)**	(3.0)
Increase/(decrease) in creditors	**9.3**	(1.3)
Exceptional operating charges with no cash impact	**4.0**	1.6
Net cash inflow from operating activities	**148.4**	130.9

8. Analysis of net debt

	2004 **£m**	Cash flow £m	Non-cash flow £m	2003 £m
Cash				
Cash at bank and in hand	**16.2**	4.3	-	11.9
Bank overdraft	**(4.1)**	1.9	-	(6.0)
	12.1	6.2	-	5.9
Debt due within one year				
Loan stock	**(0.1)**	-	-	(0.1)
Bank loans	**0.4**	59.2	(0.2)	(58.6)
Finance leases	**(0.1)**	-	(0.1)	-
	0.2	59.2	(0.3)	(58.7)
Debt due after one year				
Bank loans	**(354.4)**	(156.5)	-	(197.9)
Finance leases	**(0.2)**	-	(0.2)	-
Debenture loans	**(218.1)**	-	(0.1)	(218.0)
	(572.7)	(156.5)	(0.3)	(415.9)
	(560.4)	(91.1)	(0.6)	(468.7)

Bank loans due within one year represents unamortised issue costs expected to be charged in 2005.

9. Prior year adjustment - ESOP

The prior year adjustment relates to the adoption of UITF 38 "Accounting for ESOP Trusts". This represents a change in presentation of investment in own shares which is now deducted from the profit and loss account reserve. In the prior year, investment in own shares was included in fixed asset investments.

The effect of the change in accounting policy has been to reduce fixed asset investments and reserves by £2.3m at 28 September 2003. There has been no effect on the reported results. Cash inflows arising from the net sale of own shares by the share trust have been reclassified from capital expenditure and financial investment to financing.

10. Acquisition - Wizard Inns

On 14 June 2004, the Group acquired 100% of Wizard Inns (comprising Wizard Inns Limited and its wholly owned subsidiary Osprey Inns Limited). The acquisition has been accounted for under acquisition accounting principles and is therefore included in the consolidated balance sheet as at 2 October 2004.

		Fair value adjustments		
	Book value £m	Revaluations £m	Other £m	Provisional fair value £m
Fixed assets	63.6	23.8	-	87.4
Stock	0.5	-	-	0.5
Debtors	1.8	-	-	1.8
Cash	7.5	-	-	7.5
Creditors	(6.6)	-	-	(6.6)
Loans	(68.5)	-	-	(68.5)
Provisions for liabilities and charges	(0.1)	(1.5)	0.7	(0.9)
Net (liabilities)/assets acquired	(1.8)	22.3	0.7	21.2
Goodwill				9.1
Cash consideration (including acquisition fees)				30.3

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 and provisions for liabilities and charges reflects the valuation of the acquired pub estate as at 14 June 2004. Pub valuations reflecting onerous leases have been included in provisions. 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 adjustment relates to deferred tax in respect of tax losses, which are available for offset against future expected trading profits.

The net cash outflow in respect of the purchase of Wizard Inns was:	**£m**
Acquisition of equity	
Cash	30.3
Cash in hand of subsidiary	(7.5)
	22.8
Acquisition of debt	
Immediate repayment of subsidiary's debt	68.5
Net cash outflow for acquisition	91.3

The purchase agreement for Wizard Inns included the immediate repayment of its loans, which were included in its balance sheet at the date of acquisition. The loan repayments have therefore been classified as part of the overall consideration for the acquisition of Wizard Inns.

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 53 weeks ended 2 October 2004 which will be filed with the Registrar of Companies in due course. The statutory accounts for the 52 weeks ended 27 September 2003 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 23.32 pence per share will be paid on 31 January 2005 to shareholders on the register at the close of business on 31 December 2004.

c. The annual report for the year ended 2 October 2004 will be posted to all shareholders in the week commencing 20 December 2004. 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.