W&DB

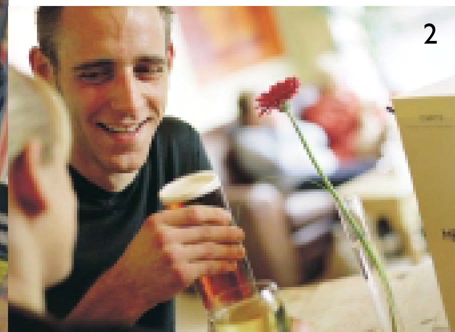
ANNUAL REPORT 2003

"A LOT OF THE TIME IT IS ABOUT SOMEBODY IN A PLACE LIKE THIS WHO HAS A SMILE ON HIS FACE AND WANTS TO WELCOME HIS CUSTOMERS..."

DEVELOPMENTRELIABILITY**RESEARCH**SKILL**THOUGHT**VISION**CARE**PRODUCT

Our aim is to provide excellent quality and great value – for pubs, food and drink

PEOPLELOCATIONUNDERSTANDINGQUALITYAPPEALLAUGHTER | OBJECTIVES



1 Bailey's Court, Bristol

2 Cary's, Ashbourne

3 Richard Westwood and Richard Frost, Wolverhampton Brewery

4 Employees, W&DB training centre

5 Glenys Whitehouse, shareholder and licensed retail manager at The Winding Wheel, Cannock

For customers

1 *Pathfinder Pubs:* to deliver excellence in managed community pubs – with superior retailing capability, in well situated pubs of a high standard, offering value for money to all.

2 *The Union Pub Company:* to stand out in the tenanted pub sector – for the quality of our pubs, our tenants, the attractiveness of our agreements – and our straightforward approach.

3 *WDB Brands:* to be regarded as the experts in ale – offering leading ale brands, with the best local service.

For employees

4 to be "FIT": to operate Fairly, with Integrity and Transparency.

For shareholders

5 to deliver growth in cash flow and shareholder value.

YEAR AT A GLANCE | DEVELOPMENTRELIABILITYRESEARCH

» Record underlying* earnings per share (eps) of 68.9p, up 10.1% (basic eps 53.0p, up 5.6%)

» Dividend raised 10.1% to 32.1p per share

» Underlying operating margin improved from 21.6% to 22.1%

Turnover (£m)

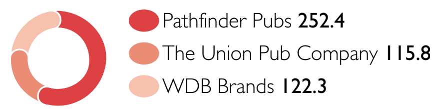
Underlying operating profit (£m)

Underlying profit before tax (£m)

Underlying earnings per ordinary share (p)

Dividend per share (p)

Turnover by division (£m)

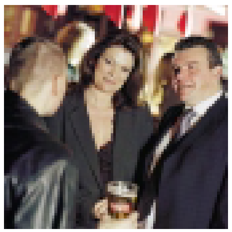


* Our underlying results reflect the performance of the Group before goodwill amortisation and exceptionals. The Directors consider these figures provide a useful indication of the underlying performance of the Group.

	2003	2002
Operating profit (£m)	**96.5**	91.4
Profit before tax (£m)	**59.6**	58.7
Earnings per ordinary share (p)	**53.0**	50.2

"Wolves' priorities have been about creating a better platform for organic growth in line with promises it made to shareholders in its hostile bid defence."

After converting "Bostin' Locals" turnovers have doubled



PATHFINDER PUBS

	2003	2002
Turnover (£m)	**252.4**	278.0
Underlying operating profit (£m)	**53.0**	56.9
Operating profit (£m)	**50.6**	54.0
Net assets (£m)	**415.6**	452.3
Number of pubs	**477**	488
Average weekly sales (£000)	**10.1**	9.7

Attracting good operators gives security and potential for capital reward

THE UNION PUB COMPANY

	2003	2002
Turnover (£m)	**115.8**	97.2
Underlying operating profit (£m)	**49.0**	42.6
Operating profit (£m)	**47.0**	38.3
Net assets (£m)	**345.5**	300.6
Number of pubs	**1,131**	1,142

New advertising campaign for Marston's Pedigree proves very successful in a declining market

WDB BRANDS

	2003	2002
Turnover (£m)	**122.3**	130.4
Underlying operating profit (£m)	**21.3**	22.1
Operating profit (£m)	**16.1**	16.5
Net assets (£m)	**83.6**	97.3

CHAIRMAN'S STATEMENT | SKILLTHOUGHTVISION

The Company has achieved another year of strong performance. We have made excellent progress in implementing our strategic plans and have demonstrated good performance in terms of like-for-like sales, margins, return on capital and free cash flow.

Leslie Porter, Company Secretary, meeting with David Thompson, Chairman.

Results

Turnover of £490.5m was £15.1m below last year as a consequence of transferring managed pubs to lease and completing the rationalisation of WDB Brands. Underlying operating margins increased by 0.5% to 22.1% and return on capital was maintained at 12.6%. Against a background of intense competition and price discounting, this strong performance contributed to a 10.1% increase in underlying earnings per share to 68.9p per share.

Dividend

The Board proposes a final dividend of 21.2p per share, which brings the total net dividend for the year to 32.1p per share.

The year-on-year increase in dividend is 10.1%, reflecting our underlying growth in earnings per share and our recognition that cash dividends are an important part of the overall return achieved by investors. Our approach to dividends has been consistent over a 30 year period.

The final dividend, if approved, will be paid on 30 January 2004 to those shareholders on the register at the close of business on 5 January 2004.

People

The continuing improvement in the performance of the Company is due to the enthusiasm, commitment and ability of our employees. The management style within the business continues to develop as one in which decision-making is delegated and spread throughout the business, and our people are responding with vigour. I would like to thank all of them for the tremendous contributions they are making. In particular, it is a matter of record that last year saw the highest ever number of long service awards, 45, and this highlights the way we seek to combine experience with new ideas.

Outlook

We believe that this good result is the product of a clear, well thought-through strategy, correctly positioned businesses and strong operational management. Our strategy, which is set out in detail in the Chief Executive's review, includes a continuing focus on freehold community pubs and high quality ale brands. Ours is a cash-generative business, enabling us to operate an ongoing share buy-back programme. We bought back and cancelled 1.2m shares at a cost of £7.5m in this financial year and a further 0.7m shares at a cost of £4.7m since the year end. We have now returned £138m to shareholders in the last two years.

The market remains competitive and is mature. These factors are likely to ensure that consolidation of pubs, breweries and beer brands will continue. We believe that consumer trends and the need to comply with more stringent legislation will, in the long run, favour good quality, well-positioned businesses such as ours. In the meantime, we are encouraged by the robustness of our trading platform, as demonstrated by these results.

David Thompson Chairman

David Thompson presenting Diane Sinclair with her 25-year long service award.

Ralph Findlay with the operating divisional managing directors.

This year we are again able to report good progress towards our basic objectives: continuous improvement in the quality of our pub and brands businesses, increased margins and growing earnings per share. At the same time, the increases in like-for-like sales in Pathfinder Pubs and The Union Pub Company were amongst the best in the industry.

Business structure and strategy

Our philosophy is straightforward: we aim to develop and operate good quality community-based pubs and to market and sell high quality ale brands. This market positioning is deliberately mainstream, focusing on venues and products with a broad consumer appeal.

Whether our pubs are managed, tenanted or leased will depend upon their individual characteristics, allowing us to take a pub-by-pub approach in deciding which is the most suitable and profitable means of operation. Pathfinder Pubs, The Union Pub Company and WDB Brands are managed independently, but within a corporate structure that gives us flexibility in our approach both to existing operations and potential acquisitions and also reduces risk.

Such flexibility is particularly helpful in a period of rising regulatory and other operating costs, for example enabling us to reduce overheads and increase profit by transferring 104 smaller managed pubs to lease in September 2002. We have also made savings in brewing and logistics through restructuring and improved procurement.

Our community-based business has intrinsic strengths. Whereas the high street sector has suffered as a consequence of low barriers to entry, over-investment and lack of differentiation, community pubs enjoy a degree of protection through licensing and planning laws. On balance, we believe that our relative competitive position should be enhanced by forthcoming licensing reform.

We have a long-held preference for freehold pubs. The fact that 97% by value of our estate is freehold or long leasehold means that future capital appreciation will accrue to our shareholders and minimise exposure to rent increases.

Investment in pubs, brands and people is a vital part of our approach. This year, capital expenditure was £47.9m, of which £37.3m was invested in pubs. The high returns we are achieving demonstrate that there continue to be good opportunities to create real value from our pub investment programmes.

Our strategy is to use the strong cash flow of the business to enhance returns. We aim to do so by ensuring that our existing pubs are well maintained and by considering acquisition opportunities as they arise. We also aim to maintain an efficient balance sheet and to operate an ongoing share buy-back programme, in addition to our progressive dividend policy.

Trading environment

The steady increase in margins and returns from our businesses has been achieved against a background of industry-wide rises in National Insurance contributions, pension fund payments and other employment costs, primarily as a result of legislation. Looking forward, we anticipate that the implementation of licensing reform will require additional expenditure of around £1m during 2004 to ensure that we, our tenants and leaseholders are all prepared for the changes. The burden placed on the industry by legislation and regulation continues to increase. Our ability to make progress and increase margins despite these pressures provides evidence that the business is strongly positioned and in good health.

Views of the Pitcher & Piano, Birmingham.

Sharon Rehbock, Development Director, Pathfinder Pubs, enjoying her Back to the Floor project.

Pathfinder Pubs

Our managed pub business comprised 477 pubs at the year end, compared to 488 last year. Total like-for-like sales across the entire estate increased by 3.6%, and by 0.1% on an un-invested basis. This strong performance in a competitive market was helped by good summer weather and pub investment and is against comparatives which include the benefit of the Golden Jubilee and football World Cup in June 2002.

During the year, we refurbished 33 pubs in either the "Bostin' Local" or "Service That Suits Me" formats. Both these operating styles are based upon a simple proposition: well-sited pubs developed in a contemporary format with a strong emphasis on food and service.

We now have 86 "Bostin' Locals", with a further 75 targeted over the next two years as refurbishments from our existing estate. These modern community pubs offer top drinks brands and have a good, straightforward food menu, all with a value-for-money price platform. This offer, combined with a programme of events and promotions, has contributed to average turnover doubling compared to the pre-investment period. Food sales represent approximately 30% of turnover.

We have 20 "Service That Suits Me" pubs, and will target a further 20 over the next two years from our existing estate. "Service That Suits Me" pubs have a higher price platform and higher food sales, representing 60% of turnover on average. They are sited in more affluent areas and are generally "drive-to" community outlets, which give customers the option of ordering at the bar or enjoying full table service.

Investment in these two formats averages approximately £300,000, a significant reduction from the £450,000 per pub being invested at the start of the programme three years ago. The cost of conversions is continuing to fall as we learn more about the specific elements of refurbishment contributing to improved performance. In addition to boosting turnover this investment has generated an average cash return comfortably in excess of 20% to date.

Pitcher & Piano, whose 28 sites represent 6% of our total managed estate, has benefited from investment in new menus and improvements in operating standards, reflected in like-for-like food sales growth. More recently, three sites are trading successfully after a combined £1.2m refurbishment programme, which will be extended to a further seven sites during 2004.

Overall the division's underlying operating margin increased from 20.5% to 21.0%, and return on capital from 12.6% to 12.8%. This was achieved through the transfer of 104 smaller managed pubs to lease in September 2002, the completion of a £6m investment in electronic point of sale (EPOS) systems in March 2003, the negotiation of better buying terms, pricing, and the increasing quality of our pubs.

Looking forward, the division faces significant cost increases as a consequence of the Government's decision to increase the national minimum wage by 7.1% to £4.50 per hour from 1 October 2003. We aim to offset this increase through continued development of the estate, by maximising the benefits from our investment in EPOS and by continuing to improve productivity. We will also benefit from our decision to improve the choice of top brand lagers sold in our pubs, as a consequence of which Heineken and Harp Irish Lager have been replaced by either Foster's or Carlsberg.

In addition to pub refurbishment, we are acquiring new sites for development as "Bostin' Locals" or "Service That Suits Me". This offers the opportunity to extend our existing geographical boundaries through the roll-out of our proven formats and we currently have sites under, or earmarked for, development both within our existing trading area and in Kent and East Anglia.

"Local heroes."

Enjoying a tenanted experience at Cary s, Ashbourne.

The Union Pub Company

The tenanted and leased pub division comprised 1,131 pubs at the year end, compared to 1,142 last year.

Like-for-like turnover increased by 2.7%. This growth was achieved with the benefit of good summer weather, but also reflects the success of our drive to extend 21-year Open House leases across the business. The Open House lease has been signed by 350 licensees attracted by the security of tenure and the high discounts offered.

Underlying operating margins were 1.5% lower than last year at 42.3%, as a result of the one-off operational costs arising in 2003 from transferring 104 smaller managed pubs to lease in September 2002. Return on capital was maintained at 14.2%.

The pub market is polarising as a result of evolving consumer tastes, demographic changes and the over-supply of pubs in the market. These changes are felt most keenly in weaker pubs and so we have sought to focus on improving the quality of our estate. Over the last four years we have sold 700 tenanted pubs and integrated 500 managed house transfers. We invested £12.2m last year in refurbishments undertaken jointly with tenants and lessees and aim to maintain that investment this year. As a consequence, we have a high quality, freehold estate with sustainable income.

The Union Pub Company prides itself on taking the initiative to improve business for tenants, lessees and the Group. A recent survey highlighted the positive impact of some of the things we do differently, including our pioneering "Plain English" approach to tenant and lease agreements. The discounts available to tenants are amongst the highest in the industry and we were the first to introduce a rent panel to ensure that the rent setting process is fair and transparent. This year we introduced a new package of "Skill Pool" training support for tenants and lessees, developed to ensure that they are fully equipped with the necessary expertise to succeed in the pub business.

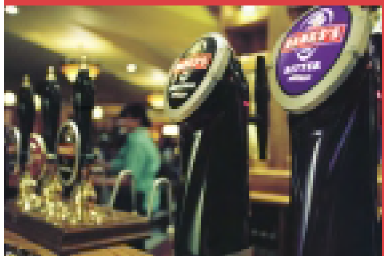
The relationship between licensees and Business Development Managers is becoming more constructive, with licensees rightly expecting more advice about how to grow their trade. A "£10k challenge" initiative, which involved our managers analysing individual pubs in detail to target increased profit for the licensee, has produced dividends. Another example is the introduction of a facility to take advantage of Group buying terms for a wide range of products and services which has enabled licensees to reduce significantly their purchasing costs, in some cases by thousands of pounds.

In this new financial year, The Union Pub Company has indicated its intention to provide financial support to enable tenants to prepare for implementation of the new licensing regime in early 2005. We will also provide advice to help licensees through the process and maximise opportunities that the reform may provide to them individually.

The Union Pub Company aims to grow through the extension of the Open House lease to around 50% of pubs in the current estate, selective investment in partnership with tenants and lessees and the acquisition of pubs either singly or in packages.

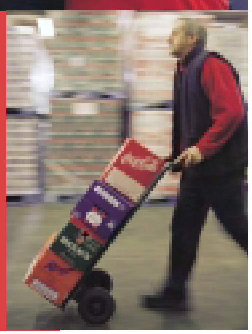
Mr and Mrs Macey enjoying their Pub of the Year award, Fountain, Clent

Pub Garden of the Year, The Royal Oak, Leigh Sinton.



The new Banks s fonts.

Glen Dickson and Damien Cooper delivering beer.



Ron Mallen preparing an order.

WDB Brands

Our strategy has been to reduce the amount of capital employed in WDB Brands and focus on a sustainable, quality business with a high return on capital. This strategy has been successful, with underlying operating margin up 0.5% to 17.4% and return on capital increasing to 25.5% from 22.7% last year.

The re-focusing of this business on high quality ale brands is now complete. The task now is to grow the business profitably and to build on the strong market positions held by Marston's Pedigree, Banks's and Mansfield.

There is a market opportunity for dedicated brewers of high quality ales. Although the beer market is mature and has been in overall decline at a rate of 2% to 3% per annum for many years, industry consolidation offers opportunities to target real growth. There is also greater scope to compete for supply to the "pubco" sector of the market, historically tied to parent brewers. The keys to achieving that growth are brand development, innovation, customer relationships and service.

This year, we strengthened our beer portfolio with the introduction of Marston's Old Empire, a 5.7% abv classic India Pale Ale (IPA). We introduced a new marketing campaign for Marston's Pedigree based around our "Uncompromising" and "Zero Tolerance" approach to the quality of the brand. The Pedigree campaign, together with the launch of keg Pedigree last year, helped to increase market share from 8.5% to 10.3% in the on-trade. In the latest quarter, the market share of Pedigree overtook Bass in the on-trade to become the number two premium ale in the country. We are in the process of reinforcing the Banks's brand with new fonts and pump clip designs to provide a more contemporary image.

This coming year, we plan to make a £2m investment in the brewhouse and refrigeration plant at the Burton brewery, which will help to increase operating efficiency further. We have already strengthened the management team with key appointments in sales, marketing and finance and believe that WDB Brands is well positioned to benefit from future opportunities in the beer market.

Steve Brooks, Head Brewer, Burton Brewery overseeing a Pedigree brew.

David Spruce, Brewery Operative, checking copper up gravity.

Prospects

We have had a good start to the new financial year. In the eight weeks to 22 November 2003 total like-for-like sales in The Union Pub Company increased by 5.0% and across the entire Pathfinder Pubs managed estate were 3.1% ahead of last year for the same period. Despite the cost pressures on our industry, we aim to maintain the improved margins we achieved last year through further investment in our pubs and beer brands, and through increased efficiencies.

Our structure, community focus and largely freehold estate all clearly differentiate us from many of our competitors. Having established a strong position in our core businesses, we now aim to invest more in new pubs, sites and refurbishments that fit our business model. Our objective is to continue to improve the quality of our pubs and brands and our return on capital, thereby delivering value for shareholders.

Ralph Findlay Chief Executive

DIRECTORS

From left to right: David Thompson, Ralph Findlay, Peter Lipscomb, Miles Emley, Robin Hodgson, Alistair Darby, Stephen Oliver, Derek Andrew and Paul Inglett.

David Thompson (49)
Chairman, Non-executive Director
Joined the Company in 1977 and appointed to the Board in 1980, Managing Director in 1986, Chairman in 2001. Director of The Income and Growth Trust Plc, Persimmon PLC, Warburtons Limited and The Fleming Smaller Companies Investment Trust.

Ralph Findlay FCA (42)
Chief Executive
Joined the Company in 1994 and appointed to the Board and Finance Director in 1996, Chief Executive in 2001.

Peter Lipscomb OBE (64)*
Deputy Chairman, Non-executive Director
Appointed in 2000. Former Managing Director of Guinness Great Britain and Deputy Managing Director of Guinness Brewing Worldwide.

Miles Emley (54)*
Non-executive Director
Appointed in 1998. Chairman of St. Ives plc. Former Director of N M Rothschild & Sons Limited and UBS Phillips & Drew.

Robin Hodgson – The Lord Hodgson of Astley Abbotts CBE (61)*
Non-executive Director
Appointed in 2002. Chairman of Carbo Plc, Rostrum Group Limited and Johnson Brothers & Co Limited and a Director of the Staffordshire Building Society. Former Chairman and founder of Granville Baird Group Limited, Chairman of dominick hunter Plc, Deputy Chairman and founder of Community Hospitals Plc and Director of the Securities and Futures Authority.

Alistair Darby (37)
Managing Director, WDB Brands
Joined the Company in 1997 and appointed to the Board in 2003.

Stephen Oliver (45)
Managing Director, The Union Pub Company
Joined the Company in 1999, on the acquisition of Marston's, and appointed to the Board in 2001.

Derek Andrew MBE (48)
Managing Director, Pathfinder Pubs
Joined the Company in 1980 and appointed to the Board in 1994.

Paul Inglett FCMA (37)
Finance Director
Joined the Company in 1992, on the acquisition of Camerons, and appointed to the Board in 2002.

*Member of the Remuneration and Audit Committees

FINANCIAL REVIEW

Trading overview

	Turnover		Underlying operating profit (note 2)		Margin		Return on capital	
	2003 £m	2002 £m	2003 £m	2002 £m	2003 %	2002 %	2003 %	2002 %
Pathfinder Pubs	**252.4**	278.0	**53.0**	56.9	**21.0**	20.5	**12.8**	12.6
The Union Pub Company	**115.8**	97.2	**49.0**	42.6	**42.3**	43.8	**14.2**	14.2
WDB Brands	**122.3**	130.4	**21.3**	22.1	**17.4**	16.9	**25.5**	22.7
Central costs	**–**	–	**(15.1)**	(12.5)	**(3.1)**	(2.5)	**–**	–
Group	**490.5**	505.6	**108.2**	109.1	**22.1**	21.6	**12.6**	12.6

Like-for-like sales were strong in both pub divisions, although Group turnover declined by 3.0% to £490.5m as a result of the loss of retail turnover from the 104 smaller managed pubs which transferred to lease in September 2002, and a net reduction in the number of pubs by 22 in 2003, and by 73 in 2002. Underlying operating profit fell by 0.8% (operating profit after goodwill and exceptionals £96.5m, 2002: £91.4m) as a result of this net reduction and a significant increase in central costs due to unavoidable higher insurance, pension and National Insurance costs.

Margins

Underlying operating margins increased in both Pathfinder Pubs and WDB Brands, and excluding the impact of the managed to lease transfers, were marginally ahead in The Union Pub Company, with the Group's operating margin increasing from 21.6% to 22.1%. This margin enhancement has been achieved despite the anticipated significant increases in central costs noted above.

Return on capital

Underlying return on capital improved in both Pathfinder Pubs and WDB Brands, and was maintained in The Union Pub Company, despite absorbing £1.2m of one-off costs relating to the transfer of 104 smaller pubs to lease during the year. The Group pre-tax return on capital was flat due to the impact of the increased central costs. Return on capital remains high on the agenda and we will continue to review the need to dispose of underperforming assets and transfer smaller managed pubs to lease.

Increasing cash returns to shareholders

Underlying earnings per share increased by 10.1% to 68.9p per share, notwithstanding a higher tax charge (basic eps 53.0p, up 5.6%). This earnings growth and the underlying strong and stable cash flow have supported the dividend increase of 10.1% to 32.1p per share.

Our intention remains to increase dividends broadly in line with our earnings growth, whilst maintaining appropriate dividend cover.

We bought back 1.2m shares at a cost of £7.5m in the market during the year. Since the year end we have bought back a further 0.7m shares at a cost of £4.7m.

Strong cash flow

During the year we generated £76.9m of free cash flow (after interest and tax). In addition, there were further cash inflows of £21.0m from the disposal of 24 pubs and unlicensed property and a further reduction of £5.4m in the free trade loan book and other investments.

After capital expenditure of £47.9m, net debt was reduced in the year by £28.2m to £468.7m at the year end – despite having bought back a further £7.5m of shares. Balance sheet gearing reduced from 110% last year end to 102% as at September 2003.

Capital expenditure
Capital expenditure of £47.9m was similar to last year, with £25.1m invested in Pathfinder Pubs, £12.2m in The Union Pub Company, £7.4m in WDB Brands and £3.2m in IT systems and the unlicensed estate. Of this £47.9m, £17.4m was spent on major refurbishments of over £100,000 and £4.3m on new sites and acquisitions.

We expect our full year investment in 2004 to be around £56m, including £11m identified for new site acquisition and development.

Treasury
Interest cover was maintained at around 3.1 times, whilst the full year dividends are 2.1 times covered based on underlying earnings.

The Group's policy for interest rate management continues to be to reduce exposure to changes in interest rates through the use of hedging instruments. We currently have £185m of interest rate swaps in place, which expire between now and 2008.

In addition, the Group has debentures with a nominal value of £220m. As a result, at the year end over 86% of the Group's net debt was either fixed or hedged.

At the year end there were £63m of unutilised banking facilities, providing headroom to take advantage of appropriate investment opportunities. We plan to replace our existing five year banking facilities, which expire in December 2004, by the end of March 2004.

Property portfolio
The value of our freehold and long leasehold properties strongly underpins our balance sheet. Total tangible fixed assets of £889.9m covered our net debt of £468.7m, 1.9 times.

Taxation
The underlying rate of taxation (before goodwill amortisation and exceptional items) in the year increased from 29.7% in 2002 to 31.5% in 2003.

Pensions
Following a recent actuarial valuation, Company contributions to the pension scheme, and the related charge to the profit and loss account, were increased by £2.5m per year with effect from 1 September 2003.

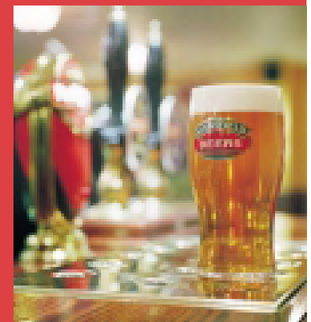
Measured on a FRS 17 basis, the Company's pension scheme has a net deficit after tax of £56.6m at the year end, compared to £64.1m last year end.

Exceptional items and goodwill
Goodwill impairment and amortisation in the year amounted to £8.5m. Net exceptional costs excluding goodwill impairment amounted to £3.1m. This comprised a loss of £1.8m on the sale of fixed assets, which largely relate to the disposal of a number of high street leasehold managed pubs; a £3.2m payment to settle contractual obligations in respect of Harp Irish Lager, following the rationalisation of our lager brands; and a tax credit of £1.9m.

Accounting policies
There have been no changes to our accounting policies since last year's annual report.

Summary
Despite significant cost increases outside our control we have increased underlying margins. This improvement, together with the continued strong underlying cash flow of our business, reinforces our confidence in the future. Our objectives are to continue to deliver sustained growth in earnings per share and a progressive dividend policy.

Paul Inglett Finance Director



Investing in our brands, pubs and brewing,

FIVE-YEAR RECORD

	1999 restated £m	2000 restated £m	2001 restated £m	2002 £m	**2003 £m**
Turnover					
Continuing operations	281.7	468.8	565.4	505.6	**490.5**
Acquisitions	133.8	130.0	–	–	–
Total	415.5	598.8	565.4	505.6	**490.5**
Profit before goodwill and exceptionals	46.7	65.0	76.1	74.0	**73.1**
Exceptional items	(41.8)	(34.6)	(37.7)	(10.5)	**(4.8)**
Fixed asset disposals	0.7	4.6	(17.1)	2.4	**(1.8)**
Goodwill amortisation	(1.3)	(7.3)	(8.3)	(7.2)	**(6.9)**
Profit before taxation	4.3	27.7	13.0	58.7	**59.6**
Taxation	(11.5)	(14.4)	(16.2)	(17.0)	**(21.1)**
(Loss)/profit after taxation	(7.2)	13.3	(3.2)	41.7	**38.5**
Capital employed	458.4	575.6	549.6	449.9	**460.0**
(Loss)/earnings per ordinary share	(11.0p)	15.0p	(3.4p)	50.2p	**53.0p**
Goodwill amortisation	2.0p	8.3p	8.9p	8.7p	**9.5p**
Fixed asset disposals	(1.1p)	(5.2p)	18.3p	(2.9p)	**2.5p**
Exceptional items	59.3p	33.5p	32.9p	6.6p	**3.9p**
Earnings per ordinary share before goodwill and exceptionals	49.2p	51.6p	56.7p	62.6p	**68.9p**
Dividend per ordinary share	22.6p	24.0p	26.5p	29.2p	**32.1p**
Retail price index	100.0	103.3	105.1	106.9	**109.8**
Earnings per share growth	100.0	236.4	169.1	556.4	**581.8**
Earnings per share growth before goodwill and exceptionals	100.0	104.9	115.2	127.2	**140.0**
Dividend growth	100.0	106.2	117.3	129.2	**142.0**

Equivalent market prices on 31 March 1982	
Preference shares	34.5p
Ordinary shares	94.5p

The five-year record has been restated for FRS 19, "Deferred tax", that was adopted in 2002.

The 1999 profit and loss information has been restated to include a notional depreciation charge to facilitate comparison, after FRS 15 was introduced in 2000.

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

CORPORATE AND SOCIAL RESPONSIBILITY

W&DB is committed to contributing positively to the success of the communities it serves, and where its employees often reside, in a way which will make them proud to be associated with W&DB.

A responsible attitude towards alcohol
We are convinced that the provision of quality products served in well-maintained pubs, with industry leading standards of customer service, creates a favourable experience for customers and contributes to the overall quality of life within local communities. However we are also aware that public attitudes towards the consumption of alcohol are changing, and therefore we seek to avoid any kind of promotional or marketing activity designed to encourage consumption of excessive amounts of alcohol.

Our ongoing training programmes include significant elements designed to help pub staff to recognise circumstances when it would be inappropriate to serve a customer, and to handle difficult situations in a calm, safe and considerate manner.

We aim to provide all our customers with a high quality experience, where food and drink can be consumed in a well maintained, safe and friendly environment.

Advertising and marketing of alcoholic products
We support the guidelines of The Portman Group, an industry body set up to monitor and advise on the responsible marketing and selling of alcoholic products. Both Pathfinder Pubs and The Union Pub Company have recently become associate members of this group.

Support for community Education Action Zones
We also support a wide range of community activities, including Education Action Zones, in the Wolverhampton and Mansfield areas. This has provided additional speech therapy resources, and opportunities for local unemployed people to train for a career in education.

Charitable donations
Each year our licensed retail managers, pub staff and tenants raise very large amounts of money for a wide variety of charitable causes.

Pathfinder Pubs has raised over £250,000 through locally run pub-based activities, and almost £40,000 from employees within its central support functions, all of which will be used to support local charitable events.

In addition to providing support for the charitable activities of their tenants and lessees, The Union Pub Company supports the Queen's Hospital, Burton Cancer Appeal and other similar charities.

WDB Brands has raised over £15,000 from a number of initiatives across our trading estate.

Our employees also run their own charity fund which has raised over £120,000 for local causes.

Working with The Prince's Trust
We are pleased to be involved with The Prince's Trust. Placements with this Trust form an integral part of our Graduate Training Programme, offering our managers of the future a chance to contribute to their wider community and to develop vital people and project management skills.

Listening to our employees
W&DB is a people-focused business and it is vital that we keep our employees informed of what our aims are, and how we intend to achieve them. More importantly, we listen to what our employees have to say, and respond in a positive and timely manner.

In addition to regular briefing sessions, we publish a range of in-house magazines designed to keep employees updated on Group events, and also to record and celebrate employee achievements. Well attended roadshows and conference presentations are increasingly seen as an integral part of how each of our trading divisions operate. Many of the management and support teams are also involved in an ongoing programme of "back to the floor" exercises, allowing them to make substantial improvements from the direct feedback of employees at all levels within the business.

Employee consultation
As well as Group-led activities we also have an excellent relationship with a number of trade unions. In many areas employee representatives play an important and positive part in developing our business, and we intend to continue with and improve these relationships.

Acting on employee feedback
The overall results and trends revealed by the confidential employee attitude surveys which we run are fed back to our employees. Significant positive changes to both employee benefits and communication processes have been made, demonstrating our commitment to listen. The most significant this year has been the introduction of an Employee Assistance Programme; this provides confidential support 24 hours a day, 365 days a year for employees.

We continue to explore opportunities to improve current practices and, where appropriate, to introduce new initiatives.

CORPORATE AND SOCIAL RESPONSIBILITY

Diversity and the work/life balance
Having predominantly community-based pubs means that the vast majority of employees are recruited from the communities around them. The majority of our pub staff are also part-time, and work hours to suit their personal circumstances. As part of our development programmes, we offer recruitment and selection modules which identify the benefits of having a diverse workforce.

We are aware of our responsibilities in respect of the provisions of the forthcoming Disability Discrimination Act and, as well as setting up audit programmes, Pathfinder Pubs has become a member of the Employers' Forum on Disability.

We recruit locally and offer a working environment and benefits package which promotes employee retention. This year has seen significant improvements in maternity and paternity arrangements well above the new legal statutory requirements.

Developing all our employees
Structured and focused training and development programmes are available to all employees, and everyone with the desire and enthusiasm to progress within W&DB has the opportunity to do so.

We have achieved the prestigious Investor in People standard, and have been continuously accredited since 1995. We were re-accredited earlier this year using the most rigorous of assessment methods.

The Board and health and safety
The health and safety of our employees and members of the communities we serve is a key priority. The Group has a Health and Safety Policy which is endorsed by the Board and used throughout the Group. A bi-annual report is prepared for the Board which gives detailed statistics relating to health and safety issues and progress made in improving health and safety matters. These reports are actively discussed, debated and challenged at all management levels.

Health and safety – practical application and employee involvement
Relevant health and safety information and guidance forms a part of every employee's induction process, and many managers have been trained in risk assessment techniques. The health and safety issues in the workplace are reviewed regularly.

All our production and head office locations have active health and safety committees which meet regularly under the co-ordination of the Group Health and Safety Manager. These committees include members of the management team and trained employee representatives who review local health and safety issues and make recommendations for improvement.

Within Pathfinder Pubs, all pubs undergo health and safety audits by external contractors. The measures by which a satisfactory outcome is determined are regularly reviewed. Each pub has its own copy of a comprehensive health and safety manual for use as a source of information, guidance and training. In addition a health and safety committee has recently been established in order to increase the profile of health and safety issues.

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

ENVIRONMENTAL POLICY

The Board determines the Group environmental policy. A sub committee of the Board, chaired by the Finance Director, meets twice a year to review the performance of the Group against that policy.

Group statement of intent
We will:

- comply with all relevant environmental legislation in order to minimise the risk of pollution and nuisance.

- be environmentally responsible towards employees, brands and the local communities.

- be committed to sustaining the environment.

- encourage our business partners, suppliers and contractors to adopt our objectives.

- employ structured environmental management systems.

We will continue to:

- adopt economic production processes having minimal environmental impact.

- aim for prevention of pollution at source.

- provide appropriate training so that employees are able to:

  – exercise personal responsibility in preventing harm to the environment;
  – contribute to every aspect of environmental protection; and
  – provide facilities for environmental auditing.

Environmental management
Passive smoking. All sites across the Group display appropriate signage in accordance with the Clean Air Charter.

Energy. Energy consumption levels are monitored across the Group and ways to reduce consumption are actively sought. We aim to minimise energy consumption; employ a system of energy and resource management based on "monitoring and targeting"; and set realistic targets, and measure progress against those targets, to ensure continuous improvement in environmental performance.

Water use. Water consumption levels are monitored across the Group and ways to reduce consumption are actively sought. We aim to minimise the use of natural resources.

Solid waste. Agreements are in place with suppliers and contractors to dispose of waste in the most responsible manner commercially available. Many sites across the Group have recycling containers for glass. We aim to reduce the amount of waste destined for landfill by the use of reclamation/recycling and other means.

Grease. We continue to improve grease management. Contracts are in place to ensure regular equipment maintenance, and responsible waste disposal. Biotechnology trials at a number of sites will be monitored with the aim of extending these across the estate, thus reducing the amount of waste produced.

Cooking oil. Used cooking oil is collected by waste contractors who dispose of it in the most responsible manner commercially available.

Sewage treatment. A number of sites across the Group have treatment plants for reducing effluence. Maintenance contractors ensure the performance of these plants and compliance with discharge consent limits.

Radon. We employ specialist contractors to monitor Radon levels in sensitive areas.

Refrigerants. We give particular priority, with defined timescales, to the replacement of CFCs and hydrogenated CFCs, such as HCFC R22. All newly installed plant and equipment meets existing control standards.

Asbestos. Preparations are well advanced to comply with the Control of Asbestos at Work Regulations 2004. Detailed surveys have been undertaken at over 300 sites across the Group.

New building programme. New building programmes require compliance with Part L2 of the Building Regulations – low-energy lighting being installed in all back-of-house areas, condensing boilers used, thermostatic radiators provided and water heating via separate direct-fired boilers. We require suppliers to be able to demonstrate sound environmental practices.

DIRECTORS' REPORT

The Wolverhampton & Dudley Breweries, PLC is the holding company for a Group whose principal activities are operating managed, tenanted and leased public houses, brewing beer and wholesaling beers, wines and spirits. The Company is not a close company within the meaning of the Income and Corporation Taxes Act of 1988, and there has been no change since the period end.

Review

The Directors' report should be read in conjunction with the Chairman's statement, the Chief Executive's review and the Financial review, which include information about the Group, the financial performance during the period, and likely developments.

Dividends

The final dividend proposed is 21.2p per ordinary share, making a total of 32.1p per ordinary share for the period ended 27 September 2003, and total preference share dividends of 7.0p per share. The profit transferred to reserves is £15.2m (2002: loss £55.7m). The final dividend, as proposed and if approved, will be paid on 30 January 2004 to those shareholders on the register at close of business on 5 January 2004.

Policy and practice

Employment policies are based on the provision of appropriate training and career development of our staff. We seek to give equal opportunity and to consider carefully the recruitment of disabled people including those who become disabled during their employment. Job sharing continues to increase. Annual personal appraisals support skill development and commitment to the businesses.

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

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

Environmental policy is determined by the Board. Performance against preset objectives is reviewed regularly by a sub-committee of the Board chaired by the Finance Director. Environmental protection is implemented by conducting our operations in a way which complies with relevant environmental legislation in order to minimise risks of all forms of pollution and noise.

It is the Company's payment policy to follow the CBI's Prompt Payment Code for all suppliers. Copies of the code can be obtained from the registered office. Creditor days at the period end were 41 (2002: 42).

Charitable donations were £13,243 (2002: £900).

Directors

The present Directors are shown on page 15. All served throughout the period with the exception of Alistair Darby who was appointed on 27 January 2003. A resolution proposing his election will be made at the annual general meeting on 23 January 2004. David Thompson and Ralph Findlay retire by rotation and, being eligible, offer themselves for re-election. David Thompson has a rolling six months' service agreement. Alistair Darby and Ralph Findlay each have a rolling one-year service contract.

Interests of Directors

The interests of the Directors and their immediate families in the ordinary share capital of the Company as at 27 September 2003 were:

	Ordinary shares			
	Beneficial		Non-beneficial	
	2003	2002	**2003**	2002
Derek Andrew	**27,614**	27,614	**–**	–
Alistair Darby	**500**	–*	**–**	–*
Miles Emley	**8,812**	8,812	**–**	–
Ralph Findlay	**16,110**	16,110	**–**	–
Lord Hodgson	**1,680**	1,680	**–**	–
Paul Inglett	**7,632**	6,942	**–**	–
Peter Lipscomb	**5,000**	5,000	**–**	–
Stephen Oliver	**1,220**	1,220	**–**	–
David Thompson	**157,912**	157,912	**268,212**	268,212

* as at date of appointment.

In addition, Derek Andrew, Ralph Findlay, Paul Inglett, Stephen Oliver and Alistair Darby as Executive Directors are treated as having a beneficial interest in the total number of 419,000 ordinary shares (2002: 775,423) held in the ESOP. The interests in share options are set out on pages 28 and 29. No Director had any material interest in any contract of the Group's business during or at the end of the period. Changes in Directors' interests between 27 September 2003 and 3 December 2003 are as shown in the Directors' remuneration report on page 29.

Significant shareholdings

The Company has received notification of the following interests in 3% or more of its issued share capital as at 27 September 2003:

Ordinary shares	Number	%
Silchester International Investors Limited	4,319,856	5.9
Legal & General Investment Management	3,219,738	4.4
Prudential plc	2,846,043	3.9
Schroder Investment Management Limited	2,596,967	3.5

Since the year end the Directors have been notified that Capital Group Companies Inc. has acquired an interest in 2,209,738 ordinary shares (3.0%) and that the interest of Legal & General Investment Management has changed to 2,785,929 ordinary shares (3.8%).

Preference shares	Number	%
Ionian Nominees Limited A/C SCLPF	31,548	42.1
Medlock & Medlock Limited	6,750	9.0
George Mary Allison Limited	5,500	7.3
Mrs A Somerville	5,500	7.3
Mr P F Knowles A/C NPK	4,056	5.4
Mr A W R Medlock	3,657	4.9
R C Greg Nominees Limited A/C BLI	3,283	4.4
Mr A F Southall	2,855	3.8
Fiske Nominees Limited A/C 1ONIA023	2,500	3.3

Since the year end the Directors have been notified that the holding of preference shares registered in the name of Ionian Nominees Limited A/C SCLPF has been transferred into the name of Fiske Nominees Limited A/C IONIA042.

Repurchase of shares

At the annual general meeting held on 24 January 2003 shareholders authorised the Company to make market purchases of its ordinary shares of 29.5p each.

Pursuant to this authority the Company has, during the year, purchased 1.2m ordinary shares of 29.5p each, having a total nominal value of £0.4m representing 1.6% of the Company's issued share capital as at that date, for an aggregate amount of £7.5m. This repurchase of shares was in line with the Company's objectives of operating an efficient balance sheet and delivering shareholder value.

Auditors

PricewaterhouseCoopers transferred their business to a limited liability partnership, PricewaterhouseCoopers LLP, on 1 January 2003, following which PricewaterhouseCoopers resigned on 27 January 2003 and the Directors appointed PricewaterhouseCoopers LLP as Auditors. A resolution for the appointment of PricewaterhouseCoopers LLP as Independent Auditors and to authorise the Directors to fix their remuneration will be proposed at the annual general meeting.

Annual general meeting special business

Resolution number 7 – to approve the Directors' remuneration report.

Resolution number 8 – to approve the Executive Share Option Scheme 2004.

Resolution number 9 – to approve the Long Term Incentive Plan 2004 (LTIP).

Resolution number 10 – authority to issue shares. This resolution seeks renewal of the Directors' authority to allot unissued shares up to an aggregate nominal amount of £7,187,162, being one-third of the total ordinary share capital of the Company in issue as at 27 September 2003.

Resolution number 11 – disapplication of shareholders' pre-emption rights. This resolution seeks renewal of the Directors' authority to issue ordinary shares up to an aggregate nominal amount of £1,078,074, being 5% of the total ordinary share capital of the Company in issue as at 27 September 2003, for cash without offering the shares first to existing shareholders by way of rights.

The authority contained in this resolution will terminate not later than 15 months after the passing of the resolution.

Resolution number 12 – purchase of own shares by the Company. The Company's articles of association permit the purchase of the Company's own shares, subject to the provisions of the Companies Acts. The Directors consider it desirable and in the Company's interests for shareholders to grant the Company authority to exercise this power, within certain limits, to enable it to purchase its own shares in the market. We undertake that the authority will only be exercised if we are satisfied that the purchase will result in an increase in earnings per share and is in the best interests of shareholders generally. Subject to the passing of Resolution number 12 and to the extent that the Company exercises such power, the Company may decide either to cancel the shares it purchases pursuant to such power and/or hold such shares in treasury for resale.

We propose an authority for the Company to purchase its own shares in the market, up to a total of 10,956,158 ordinary shares of 29.5p each, having an aggregate nominal value of £3,232,067, being 14.99% of the issued ordinary share capital of the Company as at 27 September 2003.

Recommendation

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

By Order of the Board

Leslie Porter Secretary
3 December 2003

DIRECTORS' REMUNERATION REPORT

Composition and Terms of Reference of the Remuneration Committee
The Remuneration Committee is appointed by the Board and comprises Peter Lipscomb (Chairman), Miles Emley and Lord Hodgson, all of whom are independent Non-executive Directors. The Committee is responsible for:
- setting the framework and policy for the remuneration of the Executive Directors; and
- determining the specific elements of the Executive Directors' compensation arrangements and contractual terms.

In setting policy and compensation levels, the Remuneration Committee has due regard to the Combined Code.

The Committee took advice on specific issues during the year from the Chief Executive, Ralph Findlay, however, Ralph Findlay did not provide any advice in relation to his own remuneration.

Following the year end, the Board, with the approval of the Remuneration Committee, appointed consultants, Deloitte, to undertake a full review of Executive Director remuneration to ensure that the policy is in line with best practice and that remuneration is competitive.

Remuneration policy
The Company's remuneration policy for the current financial year and for the future is to ensure that the remuneration of Executive Directors is competitive, to enable the Company to retain and motivate existing Directors and attract high quality performers in the future. The Company aims to incentivise and reward its senior executives in a way that is consistent with the Company's commercial objectives and to align the interests of the Directors with those of shareholders.

To achieve this, the Executive Directors' total remuneration comprises both fixed remuneration and variable reward which is linked to Company performance and individual achievement.

The main fixed and performance-related ("variable") elements for Executive Directors in 2003 were as follows:

Fixed
- basic salary;
- benefits in kind (detailed in the notes to the Directors' emoluments table below); and
- pension benefits.

Variable
- annual award of share options vesting after three years, subject to long-term performance conditions being met; and
- annual bonus related to Company performance and personal objectives.

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

Service contracts
The Company's policy is that Executive Directors' contracts are for a duration of 12 months and are subject to 12 months' notice when terminated by the Company and six months' notice when terminated by the Executive Director. However, Derek Andrew has had a two-year rolling contract since 1987 and David Thompson has had a six-month rolling contract since July 2003. All service contracts expire on the Director reaching age 60 unless the Company subsequently agrees that the Director may continue to work beyond the age of 60. The following table details the Directors' service contracts.

	Date of contract	Notice period (Company)	Notice period (Director)
Derek Andrew	15 Aug 01	24 months	6 months
Alistair Darby	16 May 03	12 months	6 months
Ralph Findlay	15 Aug 01	12 months	6 months
Paul Inglett	22 Mar 02	12 months	6 months
Stephen Oliver	15 Aug 01	12 months	6 months
David Thompson	24 Jan 02	6 months	6 months

Payments to Directors upon termination of their contracts will be equal to the Director's basic salary for the duration of the notice period. There is no reduction for mitigation or for early payment.

With the exception of David Thompson, the Non-executive Directors do not have a service contract and their appointments may be terminated without compensation at any time.

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

Salaries
Salaries for Executive Directors were reviewed as at 1 October 2002. The aim of the Company is to provide a competitive remuneration package and salary levels are determined by considering them against practice in an appropriate peer group and in the context of other pay awards made in the Group.

Bonuses
Bonus objectives for Executive Directors for 2003 were set based on a combination of Group profit achievement and personal objectives. There is a maximum possible bonus of 50% of basic salary, payable in December 2003 where 35% is allocated on the basis of profit achievement and 15% based on personal objectives. All such bonuses are non-pensionable.

Bonus objectives and level of awards for 2004 are currently under review.

Share incentive schemes
The Company operates three executive share option schemes. The 1985 and the 1994 Executive Share Option Schemes are Inland Revenue approved schemes and the 1997 Executive Share Option Scheme is a non-Inland Revenue approved scheme used to make awards to Executive Directors and other selected employees above their £30,000 tax efficient limit. The 1985 scheme expired in January 1994.

Executive share options are awarded by the Remuneration Committee at the prevailing market rate on the date of grant to selected employees as a means of long term incentive. Options are exercisable upon the achievement of stated performance criteria.

The exercise of executive share options granted under the 1994 and 1997 Schemes is subject to the Group achieving growth in earnings per share in excess of the growth in the retail price index by an average of 2.0% per year over a three-year performance period.

The Committee believes the EPS performance condition to be appropriate and provides relative alignment with the Group's economic performance.

The 1994 Executive Share Option Scheme will expire in January 2004 and it is proposed that the Company will adopt a new Executive Share Option Scheme to replace both the 1994 and 1997 Schemes. The new scheme will comprise an Inland Revenue approved scheme with the ability to grant unapproved options over and above the individual £30,000 limit. Shareholder approval for the new Executive Share Option Scheme is currently being sought.

In addition the Company is seeking shareholder approval for a Long Term Incentive Plan (the LTIP). Full details of both the LTIP and the new Executive Share Option Scheme and their part in the overall remuneration policy of the Company are set out in the accompanying shareholders' circular.

The Company also operates an Inland Revenue approved Save As You Earn (SAYE) Scheme for all eligible employees, including the Executive Directors. Options are granted at a discount of 20% of the market value of the Company's shares at the date of grant.

Directors' emoluments

The emoluments of the Directors for their services as Directors of the Company and its subsidiaries for the period ended 27 September 2003 were:

	Salary/ fees £	Bonus £	Non-cash benefits £	Other cash benefits £	Total 2003 £	Total 2002 £
Derek Andrew	188,700	75,480	3,271	13,500	280,951	224,292
Alistair Darby from 27 January 2003	105,638	57,120	6,386	–	169,144	–
Miles Emley	25,000	–	–	–	25,000	25,000
Ralph Findlay	255,000	102,000	4,905	16,200	378,105	304,016
Lord Hodgson	25,000	–	–	–	25,000	192
Paul Inglett	142,800	57,120	2,758	15,615	218,293	110,490
Peter Lipscomb	30,000	–	–	–	30,000	30,000
Stephen Oliver	153,000	61,200	1,847	13,500	229,547	181,594
David Thompson	100,000	–	2,767	16,200	118,967	512,526
	1,025,138	352,920	21,934	75,015	1,475,007	1,388,110

Non-cash benefits principally include the provision of company cars, fuel for company cars, life assurance and private medical insurance. Other cash benefits include cash allowances paid in lieu of a company car and fuel and holiday flex payments.

The fees relating to the services of Miles Emley and Lord Hodgson were paid to St. Ives plc and Johnson Brothers & Co Limited respectively.

No Executive Directors earn fees outside their employment.

Non-executive Directors' fees and benefits
The fees for the Non-executive Directors are set by the Board and are reviewed every two years. The current basic fees were set on 1 October 2001. The Non-executive Directors do not receive any benefits or pension contributions from the Group, with the exception of David Thompson whose benefits are as set out on pages 27, 30 and 31.

Directors' share options

		Date of grant	At 28 September 2002 or on appointment	Granted during the year	Exercised during the year	**At 27 September 2003**	Option price p	Exercise period From	To
Derek Andrew	Executive	14 Jun 94	20,000	–	–	**20,000**	544.0	13 Jun 97	13 Jun 04
		2 Jan 96	8,500	–	–	**8,500**	581.0	1 Jan 99	1 Jan 06
		25 Feb 97	10,000	–	–	**10,000**	683.5	24 Feb 00	24 Feb 04
		1 Dec 97	10,000[1]	–	–	**10,000**	458.5	30 Nov 00	30 Nov 04
		26 Jun 98	24,500[1]	–	–	**24,500**	518.0	25 Jun 01	25 Jun 05
		30 May 00	100,000[1]	–	–	**100,000**	325.5	29 May 03	29 May 07
		10 Jan 03	–	20,000	–	**20,000**	604.0	9 Jan 06	9 Jan 10
	SAYE	30 Jun 00	6,633	–	–	**6,633**	277.0	31 Jul 07	31 Jan 08
Alistair Darby	Executive	26 May 99	10,000	–	–	**10,000**	565.0	25 May 02	25 May 06
		30 May 00	20,000	–	–	**20,000**	325.5	29 May 03	29 May 07
		10 Jan 03	–	20,000	–	**20,000**	604.0	9 Jan 06	9 Jan 10
	SAYE	30 Jun 00	2,436	–	–	**2,436**	277.0	31 Jul 05	31 Jan 06
		26 Jun 02	1,194	–	–	**1,194**	554.0	31 Jul 07	31 Jan 08
		25 Jun 03	–	616	–	**616**	517.0	31 Jul 08	31 Jan 09
Ralph Findlay	Executive	31 May 95	15,000	–	–	**15,000**	530.0	30 May 98	30 May 05
		2 Jan 96	10,000	–	–	**10,000**	581.0	1 Jan 99	1 Jan 06
		25 Feb 97	46,000	–	–	**46,000**	683.5	24 Feb 00	24 Feb 04
		26 Jun 98	6,500	–	–	**6,500**	518.0	25 Jun 01	25 Jun 05
		30 May 00	100,000	–	–	**100,000**	325.5	29 May 03	29 May 07
		10 Jan 03	–	20,000	–	**20,000**	604.0	9 Jan 06	9 Jan 10
	SAYE	30 Jun 00	6,092	–	–	**6,092**	277.0	31 Jul 05	31 Jan 06
Paul Inglett	Executive	26 May 99	4,000	–	–	**4,000**	565.0	25 May 02	25 May 06
		27 Jun 00	8,000	–	–	**8,000**	371.5	26 Jun 03	26 Jun 07
		10 Jan 03	–	20,000	–	**20,000**	604.0	9 Jan 06	9 Jan 10
	SAYE	1 Jul 97	690	–	690	**–**	499.5	31 Jul 02	31 Jan 03
		24 Jun 98	837	–	–	**837**	412.0	31 Jul 03	31 Jan 04
		24 Jun 99	1,474	–	–	**1,474**	457.5	31 Jul 04	31 Jan 05
		26 Jun 02	1,370	–	–	**1,370**	554.0	31 Jul 05	31 Jan 06
		25 Jun 03	–	1,430	–	**1,430**	517.0	31 Jul 06	31 Jan 07

Directors' share options continued

		Date of grant	At 28 September 2002 or on appointment	Granted during the year	Exercised during the year	**At 27 September 2003**	Option price p	Exercise period From	To
Stephen Oliver	Executive	26 May 99	10,000[2]	–	–	**10,000**	565.0	25 May 02	25 May 06
		30 May 00	20,000[2]	–	–	**20,000**	325.5	29 May 03	29 May 07
		10 Jan 03	–	20,000	–	**20,000**	604.0	9 Jan 06	9 Jan 10
	SAYE	26 Jun 02	3,244	–	–	**3,244**	554.0	31 Jul 09	31 Jan 10
David Thompson	Executive	2 Jan 96	39,000	–	–	**39,000**	581.0	1 Jan 99	1 Jan 06
		1 Dec 97	7,000	–	–	**7,000**	458.5	30 Nov 00	30 Nov 04
		26 Jun 98	7,000	–	–	**7,000**	518.0	25 Jun 01	25 Jun 05
		23 Dec 99	15,000	–	–	**15,000**	541.0	22 Dec 02	22 Dec 06
		30 May 00	180,000	–	–	**180,000**	325.5	29 May 03	29 May 07
	SAYE	30 Jun 00	6,633	–	–	**6,633**	277.0	31 Jul 07	31 Jan 08

1 On 30 September 2003 Derek Andrew exercised 10,000 executive share options at 458.5p, 100,000 executive share options at 325.5p and 24,500 executive share options at 518.0p, when the market value was 717.5p. He retained 38,139 ordinary shares.
2 On 30 September 2003 Stephen Oliver exercised 10,000 executive share options at 565.0p and 20,000 executive share options at 325.5p when the market value was 717.5p. He retained 7,500 ordinary shares.
3 No options lapsed during the year.
4 On 21 January 2003 Paul Inglett exercised 690 SAYE options at 499.5p when the market value was 587.5p.

"Executive" means the options granted under the 1994 and/or 1997 Executive Share Option Schemes. All options under the "Executive" Schemes are subject to the same performance criteria being growth in earnings per share in excess of growth in the retail price index by an average of 2.0% per annum over a three-year performance period.

"SAYE" means the 1982 and 2002 Save As You Earn Schemes.

The mid-market ordinary share price range during the year was 534.5p to 727.5p with an average price of 628.4p.

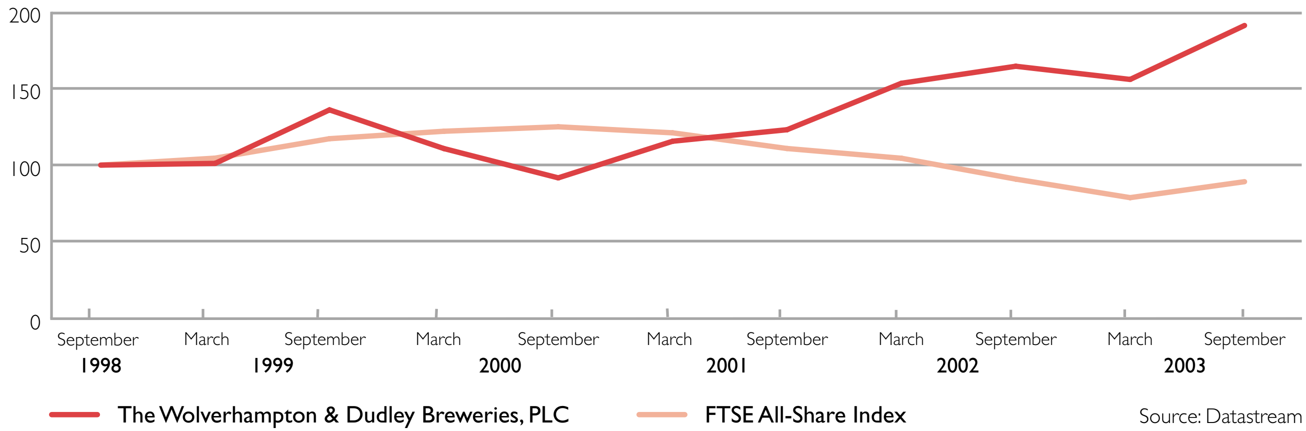
The mid-market ordinary share price on 27 September 2003 was 708.5p.

Interests of Directors
The interests of the Directors and their immediate families in the ordinary share capital of the Company are disclosed on page 23.

Total shareholder return graph

The graph below represents the comparative total shareholder return (TSR) performance of the Company against the FTSE All Share Index during the previous five financial years. The FTSE All Share Index has been selected as a comparator because this is a broad market index of which the Company is a member. The Company believes it would have been less meaningful to use a narrower index such as the Leisure and Hotels index for comparison purposes. The TSR indices used in the chart have been calculated in accordance with the Directors' Remuneration Report Regulations 2002 relative to a base date at the end of September 1998.

Total shareholder return



Directors' pensions

Pension benefits earned by the Directors (note 1):

Director	**Accrued pension at 27 September 2003 £**	Change in accrued pension over 2002/2003 excluding increase for inflation £	Members' contributions over year [2] £	**GN11 transfer value at 27 September 2003 £**	GN11 transfer value at 28 September 2002 £	Change in transfer value over 2002/2003 less Director's contributions paid during the period £	Transfer value of the increase in the accrued pension £
Derek Andrew	**80,170**	3,204	14,153	**664,537**	576,256	74,128	54,566
Alistair Darby	**10,423**	1,957	5,738	**61,602**	44,046	11,818	13,449
Ralph Findlay	**19,556**	2,078	7,358	**143,945**	113,917	22,670	20,365
Paul Inglett	**19,123**	1,865	7,155	**101,463**	80,430	13,878	14,023
Stephen Oliver	**24,507**	2,710	7,358	**235,358**	190,686	37,314	33,913
David Thompson	**115,231**	1,691	7,500	**974,185**	872,837	93,848	50,804

Directors' pensions continued

1 The pension entitlement shown is that which would be paid annually on retirement based on service to the end of the year fromthe approved pension scheme.
2 These relate to the contributions paid or payable in the year.
3 The increase in accrued pension during the year excludes any increase for inflation.
4 The increase for Alistair Darby is for the period 27 January 2003 to 27 September 2003 as he became a Director during the year
5 Members of the Scheme have the option to pay Additional Voluntary Contributions. Neither the contributions nor the resulting benefits are included in the table above.
6 The Company operates funded unapproved arrangements for Ralph Findlay, Stephen Oliver and Paul Inglett.
7 The accumulated accrued pensions from the approved scheme at the year end 1 October 2002 are shown below for comparison.
8 The transfer values are calculated in accordance with version 8.1 of guidance note GN11 issued by the actuarial profession.

Director	Approved accrued scheme pension at 1 October 2002 £
Derek Andrew	74,870
Ralph Findlay	17,002
Paul Inglett	16,788
Stephen Oliver	21,203
Alistair Darby	–
David Thompson	110,447

The following additional information relates to Directors' pensions:

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

Ralph Findlay participated in an unfunded unapproved retirement benefit scheme (UURBS) from 13 January 1998 to 15 August 2001. The amount charged in the profit and loss account in respect of the UURBS has been included within contributions to the pension schemes above. The UURBS was replaced by a funded unapproved scheme (FURBS) from 15 August 2001 with past service UURBS being bought out by contributions to the FURBS spread over five years from 1 October 2001. The second such payment of £93,750 was made on 1 October 2002, together with £62,500 to meet the tax liability created. The total commitment of £468,750 was charged to the profit and loss account in the year ended 28 September 2002. The Company contribution to the FURBS for the period ended 27 September 2003 was £76,500.

Directors' pensions continued
Stephen Oliver participated in an UURBS from 1 September 2000 to 15 August 2001. The amount charged in the profit and loss account in respect of the UURBS has been included within contributions to the pension schemes above. The UURBS was replaced by a FURBS from 15 August 2001. The Company contribution to the FURBS for the period ending 27 September 2003 was £38,250.

Paul Inglett has participated in a FURBS since 11 March 2002. The Company contribution to the FURBS for the period ending 27 September 2003 was £28,560.

Pension arrangements
During the year the Group operated a final salary pension scheme and a Group Personal Pension Plan (GPPP).

During the year, for the final salary scheme the Group contributed 16.5% of the pensionable payroll for all members to 1 April 2003, 18.5% of pensionable payroll from 1 April 2003 to 1 September 2003 and 32.0% of pensionable payroll from 1 September 2003. Members contributed in accordance with the Rules. All employees in the Group final salary pension schemes have death-in-service life assurance cover to the value of four times pensionable salary.

The Group introduced the GPPP for new entrants with effect from 29 September 1997 to which it contributes 7.0% of pensionable salary and members contribute a minimum of 3.5% of their pensionable salary. Membership of the GPPP includes death-in-service life assurance cover to the value of between two and four times pensionable salary.

During the year, the Group operated a final salary pension scheme for employees who joined the Scheme prior to 29 September 1997. The funds of the Scheme are administered by Trustees and are separate from the Group. A valuation of the Scheme was carried out as at 1 September 2003. This resulted in a long-term Group contribution rate of 32.0% of members' total earnings. The increase from 16.5% in the 1 October 2000 valuation was mainly due to falling equity markets.

The assumptions that have the most significant effect on the funding position of the Scheme are those relating to the differences between the long-term rate of return on investments and the rates of increase in earnings. The 1 September 2003 valuation for the Scheme assumed that the long-term investment return pre-retirement would exceed salary increases by 3.9% per annum and price inflation by 4.9% per annum. It assumed that the long-term investment return after retirement would exceed salary increases by 2.1% per annum and price inflation by 3.1% per annum. The market value of the Scheme assets was £135.3m, which was sufficient to cover 78.5% of members' accrued benefits, after allowing for future increases in earnings at the long-term rate.

A provision of £3.0m (2002: £3.1m) is included in creditors representing the cumulative excess of pension costs charged to the profit and loss account over the Group contributions paid.

Compliance with the Directors' Remuneration Report Regulations
The Company's Directors' remuneration report has been written in line with the new Directors' Remuneration Report Regulations incorporated in Schedule 7A to the Companies Act. In formulating its remuneration policy the Committee also gives full consideration to the Combined Code.

P. W. Lipscomb

Peter Lipscomb OBE Chairman, Remuneration Committee
3 December 2003

Information subject to audit:
Under Part 3 of Schedule 7A of the Companies Act 1985 the following sections of the Directors' remuneration report are subject to audit: Directors' emoluments, Non-executive Directors' fees and benefits, Directors' share options, Directors' pensions and Pension arrangements. The other parts of the Directors' remuneration report including the performance graph are not subject to audit.

CORPORATE GOVERNANCE

Statement of compliance with the provisions of the Combined Code

W&DB is committed to achieving high standards of corporate governance and to integrity and high ethical standards in all its business activities. The Board considers that it has complied with Section 1 of the Combined Code throughout the period, and to the date of the report, with the following exceptions:

- The Nomination Committee is formed on an ad hoc basis whenever required.
- Derek Andrew has a two-year rolling service contract. David Thompson's two-year rolling service contract has been replaced by a new contract settling at six months' notice on 25 July 2003. Both are described in the Directors' remuneration report.

Structure

The Board comprises four Non-executive Directors, one of whom is Chairman and five Executive Directors. The Non-executive Directors all possess a wide range of skills and experience and all exercise independent judgement with the exception of David Thompson who, because of his past experience as a long-serving Executive Director, cannot be considered independent. Peter Lipscomb, Deputy Chairman, has been appointed the senior independent Non-executive Director. His experience and business interests ensure his independence from management.

The Board meets 12 times each year in the normal course of business and additionally as required. It has a formal schedule of matters reserved to it for approval ensuring that it considers strategic, financial, organisational and compliance matters with timely information provided in advance of each meeting. All Directors receive within their Board papers details of the Group's performance against budget and individual reports from the Chief Executive, Finance Director and divisional managing directors. The Board also receives presentations from senior executives on a regular basis, which provides an opportunity for formal discussions with senior managers. There is a clear division of roles and responsibilities between the Chairman and the Chief Executive.

The Executive Committee, which comprises the five Executive Directors, meets weekly. The Board is briefed on the decisions reached by the Committee including those involving risk management and health and safety issues.

All Directors have access to the advice and services of the Company Secretary and also to independent legal advice. On appointment to the Board all Executive Directors receive appropriate training; all Directors receive a full induction programme covering briefings and meetings with divisional directors and senior management. All Directors are subject to election by shareholders at the first opportunity following appointment and to re-election at intervals not exceeding three years. Non-executive Directors are appointed for terms of three years. The Board considers that all Directors bring an individual judgement to the Board's deliberations in respect of strategy, performance, resources, key appointments and standards of conduct. All Non-executive Directors are considered by the Board to be free from any business or other relationship which could interfere with the exercise of their judgement.

All Board Committees have agreed terms of reference.

The Audit Committee comprises Miles Emley (Chairman), Lord Hodgson and Peter Lipscomb. It monitors the relationship with the Auditors, agrees their scope of work and fees and reviews the results of the full year audit and the interim results each year. It also assesses annually the cost effectiveness, objectivity and independence of the Auditors.

Board appointments are considered by the Nomination Committee which comprises David Thompson (Chairman), Miles Emley, Ralph Findlay and Peter Lipscomb. It met once during the year for the appointment of Alistair Darby.

The Remuneration Committee comprises Peter Lipscomb (Chairman), Miles Emley and Lord Hodgson with Ralph Findlay in attendance if required. It is responsible for agreeing contract terms, remuneration and benefits, including bonuses, for Executive Directors and, where appropriate, senior executives. It is also responsible for the granting of share options under the Company's share option schemes.

Communication

W&DB recognises the importance of maintaining a strong relationship with its shareholders as a key priority, with the annual report and interim report as the principal media used, as well as regular institutional presentations, covering reports on trading, market conditions and strategy. W&DB also maintains a website to provide up-to-date information on its operations and brands. All Company announcements are available on this site together with slides for analysts' presentations. The annual general meeting, which is regularly attended by approximately 300 shareholders, provides an important forum for communicating directly with shareholders and the opportunity for shareholders to raise questions with the Board. At the annual general meeting the Chairman announces the results of proxy voting on each resolution after it has been dealt with on a show of hands.

Internal control

W&DB, as required by the Listing Rules of the Financial Services Authority, has complied with the Combined Code provisions on internal control. The Executive Directors examine, and report to the Board as necessary, the procedures required to implement in full the guidance on internal control produced by the Turnbull Committee. In addition, the Board has taken account of the Association of British Insurers guidelines on socially responsible investment and in this respect has been registered on the FTSE4Good index.

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

There is a weekly review by the Executive Directors and an annual review by the Board, of the risks faced by the Group. These cover financial, operational and risk management issues – day-to-day control is implemented by divisional management teams which report to divisional managing directors. In addition a workshop facilitated by PricewaterhouseCoopers LLP took place in March 2003 at which all senior managers and Executive Directors considered the potential risks which could threaten achievement of the Group's strategic plans and budgets. Specifically, the objectives of the workshop were to:

- identify the range of risks faced and prioritise them;
- identify and assess the internal controls in place to manage the key risks; and
- develop action plans, where appropriate, to improve the response to the key risks identified.

The action plans were subsequently considered by Divisional Boards and by the Audit Committee and were reviewed by the Board. The plans provide the basis of the Group's response to all risks to which the Group is exposed and are reviewed on an ongoing basis. There is a continuous process for identifying, evaluating and managing the risks facing the Group at the weekly Executive Directors' meetings and at monthly briefing meetings with the senior executive management group. Risk and litigation issues are also reviewed regularly by the Chief Executive and the Company Secretary.

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

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

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

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

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

Going concern
The Directors are confident, having reviewed the Group's budget for the 53 weeks to 2 October 2004 and relevant plans beyond that date, that the Group and the Company have adequate resources to continue in operation for the foreseeable future. This review included an analysis of business operating plans, proposed capital expenditure and associated cash flow projections. It also included a comparison of results and ratios within the Group's committed borrowing facilities. It is therefore considered appropriate to adopt the going concern basis in preparing the financial statements.

By Order of the Board

Leslie Porter Secretary
3 December 2003

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis.

The Directors consider that they have complied fully with the above requirements in preparing the financial statements on pages 38 to 62.

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

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

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

Leslie Porter Secretary
3 December 2003

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE WOLVERHAMPTON & DUDLEY BREWERIES, PLC

We have audited the financial statements which comprise the Group profit and loss account, the balance sheets, the Group cash flow statement, the statement of total Group recognised gains and losses and the related notes. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the Directors' remuneration report ("the auditable part").

Respective responsibilities of Directors and Auditors
The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of Directors' responsibilities. The Directors are also responsible for preparing the Directors' remuneration report.

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

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

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent mis-statements or material inconsistencies with the financial statements. The other information comprises only the Directors' report, the unaudited part of the Directors' remuneration report, the Chairman's statement, the Chief Executive's review, the Financial review, the Corporate and social responsibility report, the Environmental policy report and the Corporate governance statement.

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

Basis of audit opinion
We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the auditable part of the Directors' remuneration report. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

Opinion
In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and the Group at 27 September 2003 and of the profit and cash flows of the Group for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the Directors' remuneration report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
3 December 2003

Chartered Accountants and Registered Auditors
Birmingham

GROUP PROFIT AND LOSS ACCOUNT

for the 52 weeks ended 27 September 2003	Notes	2003 Before goodwill and exceptionals £m	2003 Goodwill and exceptionals £m	2003 Total £m	2002 Before goodwill and exceptionals £m	2002 Goodwill and exceptionals £m	2002 Total £m
Turnover – continuing operations	2	490.5	–	490.5	505.6	–	505.6
Trading expenses	3/4	(382.3)	(11.7)	(394.0)	(396.5)	(17.7)	(414.2)
Operating profit – continuing operations		108.2	(11.7)	96.5	109.1	(17.7)	91.4
Fixed asset disposals	4	–	(1.8)	(1.8)	–	2.4	2.4
Profit on ordinary activities before interest		108.2	(13.5)	94.7	109.1	(15.3)	93.8
Interest	6	(35.1)	–	(35.1)	(35.1)	–	(35.1)
Profit on ordinary activities before taxation		73.1	(13.5)	59.6	74.0	(15.3)	58.7
Taxation	7	(23.0)	1.9	(21.1)	(22.0)	5.0	(17.0)
Profit on ordinary activities after taxation		50.1	(11.6)	38.5	52.0	(10.3)	41.7
Dividends paid and proposed	10			(23.3)			(97.4)
Profit/(loss) for the period transferred to/(from) reserves	21			15.2			(55.7)

	Notes	2003	2002
Earnings per share:			
Basic earnings per share	11	53.0p	50.2p
Basic earnings per share before goodwill and exceptionals	11	68.9p	62.6p
Diluted earnings per share	11	52.5p	49.6p
Diluted earnings per share before goodwill and exceptionals	11	68.3p	61.9p

GROUP CASH FLOW STATEMENT

for the 52 weeks ended 27 September 2003	Notes	2003 £m	2003 £m	2002 £m	2002 £m
Net cash inflow from operating activities	22		130.9		135.7
Returns on investments and servicing of finance					
Interest received		0.6		1.4	
Interest paid		(35.4)		(34.0)	
Arrangement cost of new bank facilities		–		(2.2)	
Net cash outflow from returns on investments and servicing of finance			(34.8)		(34.8)
Taxation			(19.2)		(16.8)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(47.9)		(46.3)	
Sale of tangible fixed assets		21.0		42.2	
Decrease in trade loans and other investments		5.4		16.8	
Net cash (outflow)/inflow for capital expenditure and financial investment			(21.5)		12.7
Equity dividends paid			(22.0)		(99.7)
Cash inflow/(outflow) before use of liquid resources and financing			33.4		(2.9)
Financing					
Issue of ordinary share capital		2.4		5.6	
Purchase of ordinary share capital		(7.5)		(49.5)	
Debt due within one year		(57.7)		(140.2)	
Capital element of finance lease payments		(0.3)		(0.6)	
Debt due beyond one year – bank loan		21.0		158.1	
Net cash outflow from financing			(42.1)		(26.6)
Decrease in cash in the period	23		(8.7)		(29.5)

Reconciliation of net cash flow to movement in net debt					
Decrease in cash in the period	23	(8.7)		(29.5)	
Cash outflow/(inflow) from decrease/(increase) in debt		37.0		(17.3)	
Change in debt resulting from cash flows	23		28.3		(46.8)
Non-cash movements	23		(0.1)		(0.1)
Movement in net debt in the period			28.2		(46.9)
Net debt at 29 September 2002	23		(496.9)		(450.0)
Net debt at 27 September 2003	23		(468.7)		(496.9)

STATEMENT OF TOTAL GROUP RECOGNISED GAINS AND LOSSES

for the 52 weeks ended 27 September 2003	**2003** **£m**	2002 £m
Profit on ordinary activities after taxation	**38.5**	41.7
Total recognised gains relating to the period	**38.5**	41.7

GROUP NOTE OF HISTORICAL COST PROFITS AND LOSSES

for the 52 weeks ended 27 September 2003	*Notes*	**2003** **£m**	2002 £m
Profit on ordinary activities before taxation		**59.6**	58.7
Realisation of property revaluation gains of previous periods	*21*	**1.8**	5.2
Difference between the historical cost depreciation charge and the actual depreciation charge for the period calculated on the revalued amount	*21*	**0.7**	0.8
Historical cost profit for the period on ordinary activities before taxation		**62.1**	64.7
Historical cost profit/(loss) for the period after taxation and dividends		**17.7**	(49.7)

RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDERS' FUNDS

for the 52 weeks ended 27 September 2003	*Notes*	**2003** **£m**	2002 £m
Profit on ordinary activities after taxation		**38.5**	41.7
Dividends	*10*	**(23.3)**	(97.4)
Profit/(loss) for the period transferred to/(from) reserves		**15.2**	(55.7)
New share capital subscribed		**2.7**	5.6
Purchase of own share capital	*20*	**(7.5)**	(49.5)
Contribution to QUEST	*20*	**(0.3)**	(0.1)
Net addition/(reduction) to shareholders' funds		**10.1**	(99.7)
Opening shareholders' funds		**449.9**	549.6
Closing shareholders' funds		**460.0**	449.9

BALANCE SHEETS

as at 27 September 2003	Notes	Group 2003 £m	Group 2002 £m	Company 2003 £m	Company 2002 £m
Fixed assets					
Intangible assets	*12*	**108.7**	117.2	**–**	–
Tangible assets	*13*	**889.9**	892.3	**593.8**	596.2
Investments	*14*	**27.1**	32.5	**3.8**	6.0
		1,025.7	1,042.0	**597.6**	602.2
Current assets					
Stocks	*15*	**12.5**	13.0	**–**	–
Debtors	*16*	**37.2**	34.5	**598.1**	568.8
Cash at bank and in hand		**11.9**	14.6	**41.8**	46.5
		61.6	62.1	**639.9**	615.3
Creditors – amounts falling due within one year	*17*	**(183.2)**	(171.5)	**(408.1)**	(359.8)
Net current (liabilities)/assets		**(121.6)**	(109.4)	**231.8**	255.5
Total assets less current liabilities		**904.1**	932.6	**829.4**	857.7
Creditors – amounts falling due after more than one year	*18*	**(428.1)**	(467.6)	**(366.1)**	(403.7)
Deferred tax provision	*8*	**(16.0)**	(15.1)	**(2.1)**	(2.2)
		460.0	449.9	**461.2**	451.8
Capital and reserves					
Equity share capital	*20*	**21.5**	21.8	**21.5**	21.8
Non-equity share capital	*20*	**0.1**	0.1	**0.1**	0.1
Called-up share capital	*20*	**21.6**	21.9	**21.6**	21.9
Share premium account	*21*	**207.1**	204.5	**207.1**	204.5
Revaluation reserve	*21*	**153.4**	155.9	**153.4**	155.9
Capital redemption reserve	*21*	**5.7**	5.3	**5.7**	5.3
Profit and loss account	*21*	**72.2**	62.3	**73.4**	64.2
Shareholders' funds including non-equity interests of £0.1m (2002: £0.1m)		**460.0**	449.9	**461.2**	451.8
Capital employed		**460.0**	449.9	**461.2**	451.8

The financial statements on pages 38 to 62 were approved by the Board on 3 December 2003 and were signed on its behalf by:

Ralph Findlay Chief Executive
3 December 2003

NOTES TO THE ACCOUNTS

1 Accounting policies

(a) Accounting convention
The accounts have been prepared under the historical cost convention, as modified by the revaluation of certain freehold and leasehold properties, in accordance with applicable accounting standards.

The Group continues to follow the transitional arrangements permitted by FRS 17, "Post retirement benefits" and the additional disclosures are presented in note 5 to these accounts.

(b) Basis of consolidation
The Group accounts include the assets, liabilities and results for the period of the Company and its subsidiary undertakings.

(c) Turnover and other operating income
Turnover comprises sales, rents receivable from licensed properties and other trading income of the Group, exclusive of intra-Group transactions and VAT. Other operating income comprises mainly rents from unlicensed properties.

(d) Stocks
Stocks are stated at the lower of cost and net realisable value. Cost includes direct materials and a proportion of appropriate overheads.

(e) Deferred taxation
Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the period-end balance sheet date which give rise to an obligation to pay more or less tax in the future. Timing differences are differences between the Group's taxable profits and profits as stated in the accounts. Deferred tax assets and liabilities are not discounted and assets are only recognised where probable.

(f) Tangible fixed assets
(i) Freehold and leasehold properties are stated at valuation or at cost. Plant, furnishings, equipment and other similar items are stated at cost.

(ii) Freehold buildings are depreciated to residual value on a straight line basis over 50 years.

(iii) Other tangible fixed assets are depreciated to residual value on a straight line basis at rates calculated to provide for the cost of the assets over their anticipated useful lives. Leasehold properties are depreciated over the lower of the lease period and 50 years and other tangible assets over periods ranging from three to 15 years.

(iv) Own labour directly attributable to capital projects is capitalised.

Valuation of properties
Trading properties are revalued professionally by independent valuers on a five-year rolling basis. When a valuation or expected proceeds are below current carrying value the asset concerned is reviewed for impairment. Impairment losses are charged either to the revaluation reserve to the extent that a previous gain has been recorded, or to the profit and loss account.

(g) Fixed asset disposals
Profit on fixed asset disposals is net sale proceeds less carrying value of the assets.

(h) Pensions
Pension costs for the Group's final salary pension scheme are charged to the profit and loss account so as to spread the cost of pensions over the average working life of employees, in accordance with the recommendations of independent qualified actuaries. Variations from the regular cost are spread over the average remaining service lives of the employees.

Pension costs for the Group's defined contribution pension scheme are charged to the profit and loss account in the period incurred.

1 Accounting policies continued

(i) Investments in subsidiaries
Investments in subsidiaries are stated at cost.

(j) Employee Share Ownership Plan (ESOP)
The assets of the trust are recognised as fixed asset investments until the shares have been vested unconditionally to specific employees. Any permanent diminution in the value of the shares is recognised immediately as a charge to the profit and loss account.

(k) Trade loans
Trade loans provided to publicans who purchase from the Group are recorded as fixed asset investments. They are linked to supply terms and are of a long-term nature. Trade loans are held at the lower of the amount advanced and the recoverable amount.

(l) Goodwill
Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Goodwill is capitalised and amortised through the profit and loss account on a straight line basis over its useful economic life up to a presumed maximum of 20 years. The Directors consider the carrying value of goodwill and make appropriate adjustments to reflect the disposal of certain assets to which it relates. Where goodwill is impaired, the charge is taken to the profit and loss account.

(m) Leases
Rental costs under operating leases are charged to the profit and loss account over the term of the lease.

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

(n) Financial instruments
The financial costs of debt instruments are held at cost and are charged to the profit and loss account over the term of the debt at a constant rate on the carrying amount.

2 Segmental analysis

	2003			2002		
	Turnover £m	Operating profit before goodwill and exceptionals £m	Net assets £m	Turnover £m	Operating profit before goodwill and exceptionals £m	Net assets £m
Pathfinder Pubs	**252.4**	**53.0**	**415.6**	278.0	56.9	452.3
The Union Pub Company	**115.8**	**49.0**	**345.5**	97.2	42.6	300.6
WDB Brands	**122.3**	**21.3**	**83.6**	130.4	22.1	97.3
Central costs	**–**	**(15.1)**	**16.6**	–	(12.5)	15.1
	490.5	**108.2**	**861.3**	505.6	109.1	865.3
Goodwill and exceptionals	**–**	**(11.7)**	**108.7**	–	(17.7)	117.2
Debt, tax, dividends and ESOP	**–**	**–**	**(510.0)**	–	–	(532.6)
	490.5	**96.5**	**460.0**	505.6	91.4	449.9

NOTES TO THE ACCOUNTS

2 Segmental analysis continued

	2003			2002		
	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
Pathfinder Pubs	**50.6**	**2.4**	**33.9**	54.0	2.9	36.3
The Union Pub Company	**47.0**	**2.0**	**23.7**	38.3	4.3	25.7
WDB Brands	**16.1**	**5.2**	**7.5**	16.5	5.6	9.5
Central costs	**(17.2)**	**2.1**	**43.6**	(17.4)	4.9	45.7
	96.5	**11.7**	**108.7**	91.4	17.7	117.2

Turnover originates from operations in the UK and is not materially different from turnover by destination.

3 Trading expenses

	2003 £m	2002 £m
Change in stocks of finished goods and work in progress	**0.7**	0.1
Own work capitalised	**0.8**	0.8
Other operating income	**2.5**	4.9
Raw materials, consumables and excise duties	**(169.4)**	(182.9)
Depreciation	**(30.3)**	(28.9)
Employee costs	**(100.6)**	(107.6)
Hire of plant and machinery	**(2.2)**	(1.9)
Other operating lease rentals	**(5.6)**	(5.7)
Other operating charges	**(81.9)**	(80.4)
Income from fixed asset investments	**0.5**	0.7
Goodwill amortisation	**(6.9)**	(7.2)
Goodwill impairment following fixed asset disposals	**(1.6)**	(6.1)
	(394.0)	(414.2)

Exceptional items of £3.2m (2002: £2.3m) are included in other operating charges and £nil (2002: £2.1m) within employee costs.

Fees paid to PricewaterhouseCoopers LLP:	2003 £m	2002 £m
Statutory audit fees, including £0.1m (2002: £0.1m) in respect of the Company	**0.2**	0.2
Other fees	**0.4**	0.8

Other fees payable to PricewaterhouseCoopers LLP were £0.1m (2002: £0.2m) for tax advisory services and £0.3m (2002: £0.6m) for other advisory services.

4 Goodwill and exceptionals

	2003 £m	2002 £m
Operating items:		
Goodwill amortisation	**6.9**	7.2
Exceptionals:		
Goodwill impairment following fixed asset disposals	**1.6**	6.1
Termination of supplier contract	**3.2**	–
Costs of reorganisation and restructuring of brewery and management operations	**–**	3.4
Cost of share consolidation and purchase of own shares	**–**	1.0
	11.7	17.7
Non-operating exceptional items:		
Fixed asset disposals:		
Loss/(profit) on disposals of fixed assets	**1.8**	(4.7)
Provision for loss on disposal of fixed assets	**–**	2.3
	1.8	(2.4)
	13.5	15.3

Exceptional operating items relate to trading expenses. Of the £4.8m (2002: £10.5m), £3.2m (2002: £2.3m) related to other operating charges and £nil (2002: £2.1m) related to employee costs.

Exceptional non-operating items in 2002 included a provision of £2.3m for the loss on disposal of Mansfield brewery. This has been completed in 2003 at its anticipated sales price. The exceptional tax credit relating to fixed asset disposals is £1.0m (2002: £1.7m).

Further details regarding exceptional items are given in the Financial review on pages 16 and 17.

5 Staff costs and Directors' emoluments

	2003 £m	2002 £m
Wages and salaries	**89.9**	96.7
Social security costs	**6.6**	6.4
Pension costs	**4.1**	4.5
	100.6	107.6

Staff costs include £nil (2002: £2.1m) which were classified as exceptional items. Directors' emoluments are set out in the Directors' remuneration report on pages 25 to 32.

The average number of employees was:	2003	2002
Full-time	**4,522**	5,185
Part-time	**6,515**	7,384

5 Staff costs and Directors' emoluments continued

Final Salary Pension Scheme

During the year, the Group operated a Final Salary Pension Scheme (defined benefit scheme) for employees who joined the scheme prior to 29 September 1997. The funds of the final salary scheme are administered by trustees and are separate from the Group. The Group contribution rate increased from 16.5% to 18.5% of pensionable salaries in April 2003. In September 2003, the Group contribution rate rose to 32.0% of pensionable salaries, following the recommendations of an independent qualified actuary.

The Final Salary Pension Scheme was closed to new entrants on 29 September 1997. A Group Personal Pension Plan has been made available to eligible employees since that date.

The latest scheme valuation of the Final Salary Pension Scheme conducted by an independent actuary for the Group was as at 1 September 2003. The actuarial valuation was carried out using the projected unit method. The assumptions that have the most significant effect on the funding position of the scheme are those relating to the differences between the long-term rate of investment return and the rates of increase in earnings. The valuation as at 1 September 2003 assumed that the long-term investment return pre-retirement would exceed salary increases by 3.9% per annum and price inflation by 4.9% per annum. It assumed that the long-term investment return after retirement would exceed salary increases by 2.1% per annum and price inflation by 3.1% per annum. The market value of scheme assets was £135.3m, which was sufficient to cover 78.5% of members' accrued benefits. The Group increased its contribution rate with effect from September 2003, in response to this shortfall.

The Group paid total contributions of £3.6m (2002: £3.6m) to the scheme during the period. As the scheme is closed to new entrants, it is expected that the costs of benefits will steadily rise in the future, as the average age of members increases.

A provision of £3.0m (2002: £3.1m) is included in creditors representing the cumulative excess of pension costs charged to the profit and loss account over the Group's contributions paid.

Group Personal Pension Plan

The Group paid contributions of £0.3m (2002: £0.2m) to the Group Personal Pension Plan (defined contribution scheme) during the period.

FRS 17 Retirement Benefits disclosure

The Group operates a defined benefit scheme. An actuarial valuation for the purposes of FRS 17 was carried out at 27 September 2003 and 28 September 2002 by a qualified independent actuary. The major assumptions used by the actuary were:

	27 September 2003 % per annum	28 September 2002 % per annum
Discount rate	**5.4**	5.5
Rate of increase in salaries	**3.6**	3.5
Rate of increase in pensions	**2.6**	2.5
Inflation assumption	**2.6**	2.5

5 Staff costs and Directors' emoluments continued

The assets in the scheme and the expected rate of return were:

	Long-term rate of return expected at 27 September 2003 %	Value at 27 September 2003 £m	Long-term rate of return expected at 28 September 2002 %	Value at 28 September 2002 £m
Equities	**6.9**	**99.9**	7.0	90.8
Bonds	**5.1**	**30.2**	5.5	22.1
Other	**4.6**	**0.4**	4.5	5.1
Total market value of assets		**130.5**		118.0
Present value of scheme liabilities		**(211.3)**		(209.6)
Shortfall in scheme assets		**(80.8)**		(91.6)
Related deferred tax asset at 30%		**24.2**		27.5
Pension shortfall		**(56.6)**		(64.1)

If the above pension shortfall was recognised in the financial statements, the Group's net assets and profit and loss reserve would be as follows:

	27 September 2003 £m	28 September 2002 £m
Net assets before pension shortfall	**460.0**	449.9
Reversal of SSAP 24 provision (net of deferred tax)	**2.1**	2.1
Pension shortfall	**(56.6)**	(64.1)
Net assets after pension shortfall	**405.5**	387.9
Profit and loss reserve before pension shortfall	**72.2**	62.3
Reversal of SSAP 24 provision (net of deferred tax)	**2.1**	2.1
Pension shortfall	**(56.6)**	(64.1)
Profit and loss reserve after pension shortfall	**17.7**	0.3

5 Staff costs and Directors' emoluments continued

The following amounts would have been recognised in the performance statements under the requirements of FRS 17:

	2003 £m	2002 £m
Operating profit		
Current service cost	2.8	2.3
Total operating charge	2.8	2.3
Other finance income		
Expected return on pension scheme assets	7.8	10.2
Interest on pension scheme liabilities	(11.5)	(10.4)
Net return	(3.7)	(0.2)
Statement of total recognised gains and losses (STRGL)		
Actual return less expected return on pension scheme assets	5.8	(35.3)
Experience gains and losses arising on the scheme liabilities	15.0	(7.9)
Changes in assumptions underlying the present value of scheme liabilities	(7.1)	(18.3)
Actuarial gain/(loss) recognised in the STRGL	13.7	(61.5)
Movement in shortfall during the period		
Shortfall in scheme at the beginning of the period	(91.6)	(31.2)
Movement in the period:		
Current service cost	(2.8)	(2.3)
Contributions	3.6	3.6
Other finance costs	(3.7)	(0.2)
Actuarial gain/(loss)	13.7	(61.5)
Shortfall in scheme at the end of the period	(80.8)	(91.6)
Details of experience gains and losses for the period to 27 September 2003		
Difference between the expected and the actual return on scheme assets:		
Amount	£5.8m	(£35.3m)
Percentage of scheme assets	4.4%	(29.9%)
Experience gains and losses on scheme liabilities:		
Amount	£15.0m	(£7.9m)
Percentage of the present value of scheme liabilities	7.1%	(3.8%)
Total amount recognised in the STRGL:		
Amount	£13.7m	(£61.5m)
Percentage of the present value of scheme liabilities	6.5%	(29.3%)

6 Interest and similar items

	2003 £m	2002 £m
Bank interest payable	**20.2**	20.7
Debenture interest payable	**16.1**	16.1
Unwinding of premium	**(2.1)**	(2.4)
Other interest payable	**0.1**	0.2
Bank arrangement costs	**0.9**	1.0
Interest receivable	**(0.1)**	(0.5)
	35.1	35.1

7 Taxation

	2003 £m	2002 £m
The charge to the profit and loss account comprises:		
Current tax:		
Corporation tax on profits for the period	**21.2**	21.1
Adjustment in respect of prior periods	**(1.0)**	(4.7)
	20.2	16.4
Deferred tax	**0.9**	0.6
	21.1	17.0

The actual tax rate for the period is higher (2002: lower) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2003 £m	2002 £m
Profit on ordinary activities before taxation	**59.6**	58.7
Profit on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 30% (2002: 30%)	**17.9**	17.6
Effects of:		
Adjustments to tax in respect of prior periods	**(1.0)**	(4.7)
Costs not deductible for tax purposes	**4.2**	4.0
Pension cost charge in excess of pension cost relief	**–**	0.1
(Excess)/deficit of capital allowances over depreciation	**(0.3)**	0.3
Other timing differences	**(0.6)**	(0.9)
	20.2	16.4

8 Deferred tax provision

	Group 2003 £m	Group 2002 £m	Company 2003 £m	Company 2002 £m
The amount provided in respect of deferred tax is as follows:				
Excess of capital allowances over accumulated depreciation	**21.4**	21.1	**2.3**	2.3
Other timing differences	**(4.5)**	(5.1)	**(0.2)**	(0.1)
Accrued pension costs	**(0.9)**	(0.9)	**–**	–
	16.0	15.1	**2.1**	2.2

	Group £m	Company £m
At 29 September 2002	15.1	2.2
Transfer to/(from) profit and loss account	0.9	(0.1)
At 27 September 2003	**16.0**	**2.1**

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

No provision has been made for deferred tax on gains recognised on revaluing properties to their market value or on the sale of properties where potentially taxable gains have been rolled over into replacement assets. Such tax would only become payable if the properties were sold without it being possible to claim rollover relief. The total amount unprovided for, after offsetting available capital losses, is estimated at £40.7m. At present, it is not envisaged that any such tax will become payable in the foreseeable future.

9 Profit after taxation

As permitted by the Companies Act 1985 a separate profit and loss account for the Company has not been prepared. The profit after taxation dealt with in the accounts of the Company was £37.8m (2002: £22.7m).

10 Dividends

	2003 £m	2002 £m
Ordinary shares		
Interim paid 10.90p per share net (2002: 9.90p)	**7.9**	8.0
Final proposed 21.20p per share net (2002: 19.25p)	**15.4**	14.1
Total dividends (excluding special dividend) 32.10p per share net (2002: 29.15p)	**23.3**	22.1
Special dividend paid nilp per share net (2002: 80.00p)	**–**	75.3
Total dividends on ordinary shares 32.10p per share net (2002: 109.15p)	**23.3**	97.4
Preference shares		
Interim dividend paid 3.00p per share net (2002: 3.00p)	**–**	–
Final proposed 4.00p per share net (2002: 4.00p)	**–**	–
Dividend on preference shares 7.00p per share net (2002: 7.00p net) totalled £5,250 (2002: £5,250)	**–**	–
Total dividends	**23.3**	97.4

11 Earnings per ordinary share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period, excluding those held in the Employee Share Ownership Plan (ESOP, see note 14) which are treated as cancelled.

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

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

	2003			2002		
	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	**38.5**	**72.7**	**53.0**	41.7	83.1	50.2
Effect of dilutive options	**–**	**0.7**	**–**	–	0.9	–
Diluted earnings per share	**38.5**	**73.4**	**52.5**	41.7	84.0	49.6
Supplementary earnings per share figures:						
Basic earnings per share	**38.5**	**72.7**	**53.0**	41.7	83.1	50.2
Effect of:						
Exceptionals	**4.7**		**6.4**	3.1		3.7
Goodwill amortisation	**6.9**		**9.5**	7.2		8.7
Basic earnings per share before goodwill and exceptionals	**50.1**	**72.7**	**68.9**	52.0	83.1	62.6
Diluted earnings per share	**38.5**	**73.4**	**52.5**	41.7	84.0	49.6
Effect of:						
Exceptionals	**4.7**		**6.4**	3.1		3.7
Goodwill amortisation	**6.9**		**9.4**	7.2		8.6
Diluted earnings per share before goodwill and exceptionals	**50.1**	**73.4**	**68.3**	52.0	84.0	61.9

12 Intangible assets

Group	Goodwill £m
Cost	
At 29 September 2002	177.6
At 27 September 2003	**177.6**
Amortisation	
At 29 September 2002	60.4
Goodwill impairment following fixed asset disposals	1.6
Amortisation for the period	6.9
At 27 September 2003	**68.9**
Net book value	
At 27 September 2003	**108.7**
At 28 September 2002	117.2

Following the disposal of certain fixed assets, an impairment review of the remaining goodwill was undertaken in order to reduce it to its estimated residual value. This resulted in an impairment charge of £1.6m (2002: £6.1m).

13 Tangible fixed assets

Group	Freehold properties £m	Leasehold properties Over 50 years unexpired £m	Leasehold properties Under 50 years unexpired £m	Plant and machinery £m	Fixtures, fittings, tools and equipment £m	Total £m
Cost or valuation						
At 29 September 2002	714.8	33.9	31.1	25.3	170.9	976.0
Additions	16.4	0.1	0.3	1.4	32.3	50.5
Disposals	(17.3)	(0.8)	(2.2)	(6.3)	(11.7)	(38.3)
At 27 September 2003	**713.9**	**33.2**	**29.2**	**20.4**	**191.5**	**988.2**
Depreciation						
At 29 September 2002	17.6	0.5	5.1	7.9	52.6	83.7
Charge for the period	4.5	0.4	1.4	3.0	21.0	30.3
Depreciation on disposals	(4.0)	(0.1)	(0.6)	(3.7)	(7.3)	(15.7)
At 27 September 2003	**18.1**	**0.8**	**5.9**	**7.2**	**66.3**	**98.3**
Net book value						
At 27 September 2003	**695.8**	**32.4**	**23.3**	**13.2**	**125.2**	**889.9**
At 28 September 2002	697.2	33.4	26.0	17.4	118.3	892.3

13 Tangible fixed assets continued

Company	Freehold properties £m	Leasehold properties: Over 50 years unexpired £m	Leasehold properties: Under 50 years unexpired £m	Plant and machinery £m	Fixtures, fittings, tools and equipment £m	Total £m
Cost or valuation						
At 29 September 2002	559.6	24.4	28.4	–	–	612.4
Additions	16.4	0.1	0.3	–	–	16.8
Disposals	(11.7)	(0.8)	(2.2)	–	–	(14.7)
At 27 September 2003	**564.3**	**23.7**	**26.5**	**–**	**–**	**614.5**
Depreciation						
At 29 September 2002	10.7	0.5	5.0	–	–	16.2
Charge for the period	3.6	0.3	1.4	–	–	5.3
Depreciation on disposals	(0.1)	(0.1)	(0.6)	–	–	(0.8)
At 27 September 2003	**14.2**	**0.7**	**5.8**	**–**	**–**	**20.7**
Net book value						
At 27 September 2003	**550.1**	**23.0**	**20.7**	**–**	**–**	**593.8**
At 28 September 2002	548.9	23.9	23.4	–	–	596.2

Group and Company	Group 2003 £m	Group 2002 £m	Company 2003 £m	Company 2002 £m
Cost or valuation of properties comprises:				
Valuation	**297.8**	313.8	**304.6**	313.8
At cost	**478.5**	466.0	**309.9**	298.6
	776.3	779.8	**614.5**	612.4

At 2 October 1999, Chesterton International plc, Chartered Surveyors, revalued the Group's breweries and maltings on the basis of depreciated replacement cost. The remainder of the Group's estate was also revalued on 2 October 1999 by Christie & Co, Chartered Surveyors, on the basis of open market value for existing use.

The Mansfield estate was revalued on 22 December 1999 by Christie & Co, Chartered Surveyors, on the basis of open market value for existing use. Industrial properties were revalued by Chesterton International plc, Chartered Surveyors, on the basis of depreciated replacement cost.

Cost at 27 September 2003 includes £1.6m (2002: £4.4m) of assets in the course of construction.

Capital expenditure authorised and committed but not provided in the accounts was £6.6m (2002: £2.0m). If the freehold and leasehold properties had not been revalued, the historical net book value would be £598.1m (2002: £600.7m).

14 Fixed asset investments

Group	Trade loans £m	Investments £m	Other loans £m	Own shares £m	Total £m
At 29 September 2002	27.5	0.1	0.2	4.7	32.5
Additions	5.9	–	0.5	–	6.4
Disposals, repayments and provisions	(9.1)	(0.1)	(0.2)	(2.4)	(11.8)
At 27 September 2003	**24.3**	**–**	**0.5**	**2.3**	**27.1**

Company	Subsidiary undertakings £m	Investments £m	Other loans £m	Own shares £m	Total £m
At 29 September 2002	1.0	0.1	0.2	4.7	6.0
Additions	–	–	0.5	–	0.5
Disposals, repayments and provisions	–	(0.1)	(0.2)	(2.4)	(2.7)
At 27 September 2003	**1.0**	**–**	**0.5**	**2.3**	**3.8**

The market value of listed investments held at 27 September 2003 was £3.0m (2002: £4.5m) including own shares held.

The principal subsidiary companies are:

	Country of registration	Nature of business	Number of shares held	% held	Class of share
Wolverhampton & Dudley Breweries (Trading) Limited	England	Pub retailer and brewer	1,000	100	Ordinary £5 shares
W. & D. PLC	England	Holding company	50,000	100	Ordinary £1 shares
W&DB (Finance) PLC	England	Holding company	50,000	100	Ordinary £1 shares
Banks's Brewery Insurance Limited	Guernsey	Insurance	1,000,000	100	Ordinary £1 shares

Details of the principal operating subsidiaries by type of business are set out above. A complete list of subsidiary undertakings is available at the Company's registered office. All subsidiaries have been included in the consolidated financial statements.

In the period ended 3 October 1998 the Group established an Employee Share Ownership Plan (ESOP). Included within fixed asset investments is £2.3m (2002: £4.7m) relating to the purchase of 0.4m (2002: 0.8m) ordinary shares of 29.5p (2002: 29.5p) which are held in the ESOP, pursuant to the Company's Executive Share Option Schemes. The trustee of the ESOP was the Company's wholly owned subsidiary Banks's Brewery Insurance Limited until 11 June 2003 when it transferred to Pershing Keen Nominees Limited. The market value of the shares shown above as at 27 September 2003 is £3.0m (2002: £4.5m).

As at 27 September 2003, share options totalling 0.4m were outstanding to the members of the Executive Share Option Schemes over the shares in the trust. The options are exercisable at prices between 518p and 604p per share between 2003 and 2013. The Directors' interests in the shares in the trust are disclosed in the Directors' report. Dividends on the shares have been waived by the Trust.

15 Stocks

	Group 2003 £m	Group 2002 £m	Company 2003 £m	Company 2002 £m
Raw materials and consumables	**5.4**	5.2	**–**	–
Work in progress	**0.4**	0.4	**–**	–
Finished goods	**6.7**	7.4	**–**	–
	12.5	13.0	**–**	–

16 Debtors

	Group 2003 £m	Group 2002 £m	Company 2003 £m	Company 2002 £m
Amounts falling due within one year:				
Trade debtors	**28.1**	23.4	**–**	–
Amounts owed by Group undertakings	**–**	–	**573.7**	566.9
Other debtors	**3.6**	0.9	**–**	–
Prepayments and accrued income	**5.5**	10.2	**0.9**	1.9
Dividends due from Group undertakings	**–**	–	**23.5**	–
	37.2	34.5	**598.1**	568.8

17 Creditors

	Group 2003 £m	Group 2002 £m	Company 2003 £m	Company 2002 £m
Amounts falling due within one year:				
Bank overdraft	**6.0**	–	**6.0**	–
Bank loans	**58.6**	57.5	**58.6**	57.5
Loan stock	**0.1**	0.1	**0.1**	0.1
Other loans	**–**	0.1	**–**	–
Trade creditors	**31.4**	32.6	**–**	–
Finance leases	**–**	0.3	**–**	–
Amount owed to Group undertakings	**–**	–	**315.5**	277.8
Corporation tax	**12.2**	11.2	**4.0**	3.0
Other taxation and social security payable	**15.5**	14.9	**–**	–
Other creditors	**15.4**	13.1	**–**	–
Accruals and deferred income	**28.6**	27.6	**8.5**	7.3
Dividends payable	**15.4**	14.1	**15.4**	14.1
	183.2	171.5	**408.1**	359.8

18 Creditors

	Group 2003 £m	Group 2002 £m	Company 2003 £m	Company 2002 £m
Amounts falling due after more than one year:				
Debenture loans	**218.0**	217.9	**168.2**	168.1
Bank loans	**197.9**	235.6	**197.9**	235.6
Other creditors	**12.2**	14.1	**–**	–
	428.1	467.6	**366.1**	403.7

Other creditors' maturity profile is as follows: due between one and two years £1.9m (2002: £2.0m), two and five years £4.7m (2002: £5.1m) and greater than five years £5.6m (2002: £7.0m).

19 Financial instruments

Financial instruments
The Group's financial instruments, other than derivatives, comprise debentures, preference shares, bank borrowings (loans and overdrafts), other loans, finance leases and cash. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade debtors and trade creditors that arise directly from its operations, which have not been included in the following disclosures.

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

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

The main risks arising from the Group's financial instruments are interest rate risk and liquidity risk. The Board regularly reviews and agrees policies for managing each of these risks and they are summarised below.

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

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

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

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

Currency risk
The Group has no material exposure to currency rate risk.

19 Financial instruments continued

Interest rate risk profile of financial liabilities

The interest rate risk profile of the Group's financial liabilities after taking account of interest rate swaps was:

	2003 Floating rate financial liabilities £m	2003 Fixed rate financial liabilities £m	2003 Total £m	2002 Floating rate financial liabilities £m	2002 Fixed rate financial liabilities £m	2002 Total £m
Sterling						
Bank overdraft	6.0	–	6.0	–	–	–
Debentures and loan stock	–	218.1	218.1	–	218.0	218.0
Bank revolving credit facility	71.5	39.5	111.0	90.1	–	90.1
Bank term loans	–	145.5	145.5	18.0	185.0	203.0
Other loans	–	–	–	–	0.1	0.1
Finance leases	–	–	–	–	0.3	0.3
Preference shares	–	0.1	0.1	–	0.1	0.1
	77.5	403.2	480.7	108.1	403.5	511.6

The effect of the Group's interest rate swaps is to treat £185.0m (2002: £185.0m) of borrowings in the table above as fixed. Floating rate borrowings bear interest based on LIBOR. The Group's debentures are secured by a floating charge in favour of the Law Debenture Trust Corporation Plc, over the whole of the undertaking, property and assets of the Company, both present and future.

	2003 Fixed rate financial liabilities Weighted average interest rate %	2003 Fixed rate financial liabilities Weighted average period for which rate is fixed Years	2002 Fixed rate financial liabilities Weighted average interest rate %	2002 Fixed rate financial liabilities Weighted average period for which rate is fixed Years
Sterling	6.6	11	7.2	10

Maturity of financial liabilities

The maturity profile of the Group's financial liabilities was as follows:

	2003 Group £m	2003 Company £m	2002 Group £m	2002 Company £m
Due within one year	64.7	64.7	58.0	57.5
Due between one and two years	197.9	197.9	58.6	58.6
Due between two and five years	–	–	177.0	177.0
After five years	218.1	168.3	218.0	168.2
	480.7	430.9	511.6	461.3

An amount of £111.0m (2002: £90.0m) has been drawn under a revolving credit facility expiring in December 2004. It has been categorised as repayable between one and two years (2002: two and five years).

19 Financial instruments continued

Financial assets

The Group held the following financial assets:

	2003 £m	2002 £m
Sterling		
Cash	**11.9**	14.6
Trade loans	**24.3**	27.5
	36.2	42.1

In common with other major brewers the Group makes trade loans to publicans who purchase our beers. The interest rate terms of loan and supply terms for beer purchases are all inter-related and vary between customers. The benefit of trade loans should, therefore, not be viewed solely in terms of interest rates. The interest rate profile of trade loans was as follows:

	2003 £m	2002 £m
Fixed	**3.9**	7.6
Floating	**20.4**	19.9
	24.3	27.5

The fixed rate trade loans had a weighted average interest rate of 0.6% (2002: 1.0%) and a weighted average period of 11 years (2002: 11 years). The reference rate for floating rate trade loans is mainly UK base rates.

Borrowing facilities

The Group has the following undrawn committed borrowing facilities available:

	2003 £m	2002 £m
Expiring between one and two years	**63.0**	–
Expiring after two years	**–**	84.0
	63.0	84.0

19 Financial instruments continued

Fair values of financial assets and liabilities

Set out below is a comparison by category of book values and fair values of the Group's financial assets and liabilities:

Primary financial instruments held or issued to finance the Group's operations	2003 Book value £m	2003 Fair value £m	2002 Book value £m	2002 Fair value £m
Bank overdraft	**6.0**	**6.0**	–	–
Debentures and loan stock	**218.1**	**274.4**	218.0	294.9
Bank revolving credit facility	**111.0**	**111.5**	90.1	92.3
Bank term loans	**145.5**	**146.1**	203.0	208.7
Other loans	**–**	**–**	0.1	0.1
Finance leases	**–**	**–**	0.3	0.3
Preference shares	**0.1**	**0.1**	0.1	0.5
Cash	**(11.9)**	**(11.9)**	(14.6)	(14.6)
	468.8	**526.2**	497.0	582.2
Derivative financial instruments held to manage interest costs				
Interest rate swaps	**–**	**(7.7)**	–	(11.7)

The fair value of the interest rate swaps, which has no book value, has been determined by reference to prices available from the markets on which the instruments involved are traded. Trade loans are excluded from the fair value table as they are linked to customer supply terms. All other fair values have been calculated by discounting cash flows at prevailing interest rates.

Hedges

As explained above, the Group's policy is to hedge interest rate risk using interest rate swaps. Gains and losses on instruments used for hedging are not recognised until the exposure that is being hedged is itself recognised.

Unrecognised gains and losses on instruments used for hedging are as follows:

	Unrecognised gains/(losses) Gains £m	(Losses) £m	Total £m
Gains/(losses) on hedges at 29 September 2002	–	(11.7)	(11.7)
Arising in the period	0.3	3.7	4.0
Gains/(losses) on hedges at 27 September 2003	**0.3**	**(8.0)**	**(7.7)**
of which:			
Expected to be recognised within one year	0.1	(6.8)	(6.7)
Expected to be recognised in greater than one year	0.2	(1.2)	(1.0)

Other instruments

Additional disclosure on financial instruments is made in the Financial review on pages 16 and 17.

Throughout the year the Group adhered to the financial instruments policy given by the Board.

20 Share capital (Group and Company)

	Authorised				Issued and fully paid			
	2003		2002		**2003**		2002	
	Number m	**Value £m**	Number m	Value £m	**Number m**	**Value £m**	Number m	Value £m
Preference shares of £1 each (non-equity)	**0.1**	**0.1**	0.1	0.1	**0.1**	**0.1**	0.1	0.1
Ordinary shares of 29.5p each (equity)	**120.0**	**30.0**	120.0	30.0	**73.1**	**21.5**	73.8	21.8
Closing balance		**30.1**		30.1		**21.6**		21.9

Ordinary share capital movements during the period were:

	Number m	Value £m
At 29 September 2002	73.8	21.8
Allotted under share option schemes	0.4	0.1
Allotted to QUEST	0.1	–
Purchase of own shares	(1.2)	(0.4)
At 27 September 2003	**73.1**	**21.5**

A total of 0.4m ordinary shares were issued during the 52-week period ended 27 September 2003 pursuant to the exercise of executive and SAYE share options at exercise prices ranging from 277.0p to 683.5p. The aggregate consideration in respect of these exercises was £2.0m.

Ordinary shares of 0.1m were subscribed for by the Company's Qualifying Share Ownership Trust (QUEST), at a market value of £0.7m. These shares were allocated to employees in satisfaction of options exercised under the Group's SAYE Share Option Scheme. The Company provided £0.3m to the QUEST for this purpose. The cost of this contribution has been transferred by the Company directly to the profit and loss account reserve.

The Company purchased some of its 29.5p nominal value ordinary shares during the period. The purchase consideration was taken from the profit and loss account reserve. The Company's share capital has been reduced by the nominal value of the shares purchased and the capital redemption reserve correspondingly increased.

The own shares purchased were as follows:

	Number of shares m	Percentage of Company's issued share capital at that time %	Cost per share p	Total consideration £m
February 2003	0.2	0.3	533.5	1.3
March 2003	0.5	0.6	548.0	2.7
June 2003	0.1	0.1	675.0	0.5
July 2003	0.2	0.3	680.0	1.3
September 2003	0.2	0.3	710.0	1.7
	1.2			7.5

20 Share capital (Group and Company) continued

The 0.1m preference shares of £1 each carry the right to a fixed preferential dividend. They participate in the event of a winding-up and carry the right to attend and to vote at general meetings of the Company.

As at 27 September 2003 there were 1.4m (2002: 2.1m) executive share options outstanding at prices from 325.5p to 683.5p per share exercisable between 2003 and 2013 and 1.0m (2002: 1.1m) SAYE options outstanding at prices from 277.0p to 554.0p per share exercisable between 2003 and 2011. See pages 28 and 29 for details of Directors' share options.

21 Reserves

	Group				Company			
	Share premium account £m	Revaluation reserve £m	Capital redemption reserve £m	Profit and loss account £m	Share premium account £m	Revaluation reserve £m	Capital redemption reserve £m	Profit and loss account £m
At 29 September 2002	204.5	155.9	5.3	62.3	204.5	155.9	5.3	64.2
Premium arising on issue of shares	2.6	–	–	–	2.6	–	–	–
Purchase of own shares	–	–	0.4	(7.5)	–	–	0.4	(7.5)
Disposal of properties	–	(1.8)	–	1.8	–	(1.8)	–	1.8
Transfer of additional depreciation charge on revalued properties	–	(0.7)	–	0.7	–	(0.7)	–	0.7
Contribution to QUEST	–	–	–	(0.3)	–	–	–	(0.3)
Profit for the period	–	–	–	15.2	–	–	–	14.5
At 27 September 2003	**207.1**	**153.4**	**5.7**	**72.2**	**207.1**	**153.4**	**5.7**	**73.4**

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

	2003 £m	2002 £m
Total operating profit	**96.5**	91.4
Goodwill amortisation	**6.9**	7.2
Income from fixed asset investments	**(0.5)**	(0.7)
Depreciation charge	**30.3**	28.9
(Decrease)/increase in pension cost provision	**(0.1)**	0.3
Decrease in stocks	**0.5**	1.0
(Increase)/decrease in debtors	**(3.0)**	–
(Decrease)/increase in creditors	**(1.3)**	1.1
Exceptional operating charges with no cash impact	**1.6**	6.5
Net cash inflow from operating activities	**130.9**	135.7

23 Analysis of net debt

	2003 £m	Cash flow £m	Non-cash flow £m	2002 £m
Cash				
Cash at bank and in hand	**11.9**	(2.7)	–	14.6
Bank overdraft	**(6.0)**	(6.0)	–	–
	5.9	(8.7)	–	14.6
Debt due within one year				
Loan stock	**(0.1)**	–	–	(0.1)
Bank loans	**(58.6)**	57.6	(58.7)	(57.5)
Other loans	**–**	0.1	–	(0.1)
Finance leases	**–**	0.3	–	(0.3)
	(58.7)	58.0	(58.7)	(58.0)
Debt due after one year				
Bank loans	**(197.9)**	(21.0)	58.7	(235.6)
Debenture loans	**(218.0)**	–	(0.1)	(217.9)
	(415.9)	(21.0)	58.6	(453.5)
	(468.7)	28.3	(0.1)	(496.9)

24 Operating lease commitments

At 27 September 2003 the Group was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings		Other	
	2003 £m	2002 £m	2003 £m	2002 £m
Leases which expire:				
Within one year	**–**	–	**0.1**	0.3
Within two to five years	**–**	0.1	**1.5**	1.1
After five years	**4.7**	5.4	**–**	–
	4.7	5.5	**1.6**	1.4

25 Post balance sheet event

The Company purchased a total of 0.7m of its own shares for consideration of £4.7m on 30 September 2003 and 1 October 2003.

SHAREHOLDER INFORMATION

Financial calendar

Current financial period ended	27 September 2003
Next financial period ends	2 October 2004

Announcements

Half-year results	21 May 2004
Full-year results	1 December 2004

Dividend payment dates
Preference shares

Final dividend	31 December 2003
Interim dividend	25 June 2004

Ordinary shares

Final dividend	30 January 2004
Interim dividend	25 June 2004

Debenture interest payment dates

£20m 11½% Mansfield debenture stock 2010	1 April 2004 1 October 2004
£15m 10¼% debenture stock 2012	25 March 2004 25 September 2004
£125m 6½% debenture stock 2019	18 December 2003 18 June 2004
£30m 7¼% debenture stock 2027	31 December 2003 30 June 2004
£30m 6.875% Mansfield debenture stock 2028	28 February 2004 28 August 2004

Annual general meeting 23 January 2004

Advisers

Company Secretary and registered office
Leslie Porter ACIS
PO Box 26, Park Brewery, Wolverhampton WV1 4NY

Registrar and transfer office
Capita Registrars Limited, Northern House, Woodsome Park, Fenay Bridge
Huddersfield HD8 0LA
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Auditors
PricewaterhouseCoopers LLP, Temple Court, Birmingham B4 6JT

Merchant bankers
N M Rothschild & Sons Limited, New Court, St Swithin's Lane, London EC4P 4DU

Solicitors
Bond Pearce, Marsh House, 11 Marsh Street, Bristol BS99 7BB
DLA, Bridgewater House, 101 Barbirolli Square, Manchester M2 3DL
Freshfields Bruckhaus Deringer, 65 Fleet Street, London EC4Y 1HS

Stockbrokers
Hoare Govett Limited, 250 Bishopsgate, London EC2M 4AA

Total number of shares held by all shareholders

Holding range	Number of holders	Number of shares held	% of active shares held
1–100	2,333	100,535	29.5
101–500	2,206	586,266	27.9
501–1,000	1,145	861,115	14.5
1,001–2,000	917	1,312,524	11.6
2,001–5,000	637	1,967,961	8.0
5,001–50,000	521	7,477,781	6.6
50,001–100,000	60	4,255,653	0.7
100,001+	98	56,119,950	1.2
Total	7,917	72,681,785	100.0

The Wolverhampton & Dudley Breweries, PLC notice of meeting

Notice is hereby given that the one hundred and sixteenth annual general meeting of The Wolverhampton & Dudley Breweries, PLC will be held at Edgbaston Cricket Ground, Edgbaston, Birmingham B5 7QU on Friday 23 January 2004 at 1200 hours for the following purposes:

Ordinary business

1 To receive and to adopt the Company's accounts, and the reports of the Directors and Independent Auditors for the 52 weeks ended 27 September 2003.

2 To declare and to confirm dividends.

3 To elect Alistair Darby as a Director.

4 To re-elect David Thompson as a Director.

5 To re-elect Ralph Findlay as a Director.

6 To appoint PricewaterhouseCoopers LLP as Independent Auditors of the Company and to authorise the Directors to fix their remuneration.

Special business

To propose the following as ordinary resolutions:

7 To approve the Directors' remuneration report for the year ended 27 September 2003 as set out on pages 25 to 32 of the annual report 2003.

8 That The Wolverhampton & Dudley Breweries, PLC 2004 Executive Share Option Scheme 2004 (the "Scheme"), the provisions of which are summarised in the Appendix to the circular to shareholders dated 10 December 2003, and to be constituted by the rules produced in draft to this meeting and for the purposes of identification initialled by the Chairman hereof, be approved and the Directors be authorised to do all acts and things necessary to operate the Scheme, and to vote and be counted in a quorum on any matter connected with the Scheme notwithstanding that they may be interested in the same, except that no Director may vote or be counted in a quorum in respect of his own participation in the Scheme and any provisions of the articles of association of the Company be and are hereby relaxed to that extent accordingly.

9 That the rules of The Wolverhampton & Dudley Breweries, PLC Long Term Incentive Plan 2004 (the "LTIP") referred to in the circular to shareholders dated 10 December 2003 and produced in draft to the meeting and for the purposes of identification initialled by the Chairman, be approved and the Directors be authorised to make such modifications to the LTIP as they may consider necessary to take account of the requirements of the UK Listing Authority and best practice, to adopt the LTIP as so modified and do all acts and things necessary to operate the LTIP, and to vote and be counted in a quorum on any matter connected with the LTIP notwithstanding that they may be interested in the same, except that no Director may be counted in a quorum or vote in respect of his own participation, and any provisions of the articles of association of the Company be and are hereby relaxed to that extent accordingly.

10 That the Board be and it is hereby generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate nominal amount of £7,187,162 provided that this authority shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or, if earlier, 22 April 2005, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Board may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

To propose the following as special resolutions:

11 That subject to the passing of the previous resolution the Board be and it is hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94(2) and Section 94(3A) of the said Act) for cash pursuant to the authority conferred by the previous resolution as if sub-section (1) of Section 89 of the said Act did not apply to any such allotment provided that this power shall be limited:

(a) to the allotment of equity securities in connection with an issue in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them, but subject to such exclusions or other arrangements as the Board may deem necessary or expedient to deal with fractional entitlements or legal problems which may arise in any overseas territory or under the requirements of any regulatory body or any stock exchange; and

(b) to the allotment (otherwise than pursuant to sub paragraph (a) above) of equity securities up to an aggregate nominal value of £1,078,074.

This authority shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or, if earlier, 22 April 2005, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

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

12 That the Company be and it is hereby generally and unconditionally authorised for the purposes of Section 166 of the Companies Act 1985 to make market purchases (as defined by Section 163(3) of the said Act) of ordinary shares of 29.5p each in its capital, subject as follows:

(a) the maximum number of shares which may be so acquired is 10,956,158 (£3,232,067);

(b) the minimum price which may be paid for such shares is 29.5p per share;

(c) the maximum price which may be so paid for a share is a sum equal to 105% of the average of the middle market quotations of the ordinary shares of the Company in the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which the share is contracted to be purchased; and

(d) the authority conferred by this resolution shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or, if earlier, 22 April 2005 (except in relation to the purchase of shares the contract for which was concluded before the expiry of such authority and which might be executed wholly or partly after such expiry).

By order of the Board

Leslie Porter Secretary
3 December 2003

Notes

1 A member of the Company entitled to attend and to vote may appoint one or more proxies to attend and to vote instead. A proxy need not be a member of the Company. A proxy form is enclosed. Completed proxy forms must be received by the Registrar not less than 48 hours before the time appointed for the annual general meeting.

2 The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only shareholders registered on the register of members of the Company at 1200 hours on 21 January 2004 shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register of members after 1200 hours on 21 January 2004 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

3 The following are available for inspection at the Company's registered office during normal business hours on any weekday (excluding public holidays) and will be available for at least 15 minutes prior to, and during, the annual general meeting:
– the register of Directors' interests and those of their immediate families in the share capital of the Company;
– Directors' service contracts;
– a copy of the Company's memorandum and articles of association.

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"...PROVIDED HE MAKES THEM FEEL GOOD ABOUT COMING IN THEY WILL KEEP COMING BACK AND THAT IS WHAT IT IS REALLY ABOUT."