

McMULLEN & SONS, LIMITED

BOARD OF DIRECTORS AND OFFICERS

Directors

CHAIRMAN C.D. BRIMS, M.A.

MANAGING DIRECTOR P. FURNESS-SMITH

D. S. McMULLEN, M.A., F.C.A.

J. C. McMULLEN

I. P. McMULLEN, M.A.

F. J. McMULLEN

J. S. LYTHGOE, B.A.(Econ), A.C.A.

Associate Directors S. GILL, B.A.(Hons)

A. W. NEWBURY, B.Sc., F.R.I.C.S.

Secretary C. F. BUTLER, A.C.I.S.

Bankers NATIONAL WESTMINSTER BANK PLC

Auditors BAKER TILLY

Registered Office 26 OLD CROSS, HERTFORD SG14 1RD

Registered Number 51456 England



McMULLEN & SONS, LIMITED

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of the above-named Company will be held at 26 Old Cross, Hertford on 10th March, 2005 at 12.30 pm, for the following purposes:

1. To receive and adopt the Reports of the Directors and the Auditors and the Financial Statements for the 53 weeks ended 2nd October, 2004;
2. To declare a final dividend on the Ordinary Shares, Non-voting Ordinary Shares and Preferred Ordinary Shares;
3. To re-elect Directors;
4. To re-appoint Baker Tilly auditors of the Company, and to authorise the Directors to fix their remuneration.

Registered Office
26 Old Cross
Hertford
SG14 1RD
31st January, 2005

By Order of the Board

C. F. BUTLER
Company Secretary

A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and, on a poll, vote instead of him. A proxy need not be a member.

Holders of the Non-voting Ordinary Shares and the Preferred Ordinary Shares are not entitled to attend or vote at this meeting.

McMULLEN & SONS, LIMITED

STATEMENT BY THE CHAIRMAN

Profit before tax and exceptional items for the 53 weeks to 2nd October, 2004 was £6.6m.

2004 has been a year of great change for shareholders and for the Company. These changes have all been positive but have resulted in a very different shape to the Company and have distorted comparisons with the previous year.

CAPITAL RECONSTRUCTION

The first major change was the capital reconstruction which took place in January 2004. The objective was to provide liquidity for those shareholders who wished to take advantage of the opportunity. This was achieved by the Company reducing its net assets through the repurchase of some of its share capital at a cost of £43.5 million; and it was financed by a £38 million loan from the Royal Bank of Scotland and by £5.5 million of cash reserves. The loan is now being repaid, mainly through the proceeds from the sale of ancillary properties. The loan stood at £26 million at the year-end and the Company will continue to sell properties to reduce the loan further in the coming year.

The capital reconstruction ended the period of uncertainty that inevitably prevailed during the shareholder consultation process. I am pleased that we have not only achieved a satisfactory solution but have also now received a clear remit from the shareholders to take the Company forward. To secure the future of the Company, now reduced in size, we have taken a series of strategic decisions which have led to the further changes outlined below.

PRODUCTION & DISTRIBUTION

After a thorough review of our production, warehousing and distribution operations, we decided to remain in brewing and to continue with the existing warehousing and distribution functions. The beer market, however, has changed considerably in recent years and it was clear that our ageing brewing plant was too large, and thus inefficient, to meet our future needs. Furthermore, it was evident from the review that the contract brewing and kegging operations could not be operated economically and so they were discontinued in February 2004.

In the spring of 2005, the Company will start the construction on the Hertford site of a new brewery which will be operational towards the end of the summer. The new brewery will be smaller than the existing one so we will be able to operate more efficiently and also produce a variety of special brews in addition to our main brands, AK and McMullen Country.

TENANCIES

We also reviewed our pub operations and decided that 19 of our smaller managed pubs would be operated more economically as tenanted outlets. In preparation for these transfers, almost all of which have now been implemented, and to improve the performance of the enlarged tenancy operation, we appointed Graham Rollings as Tenancy Operations Manager and introduced a new tenancy agreement.

MANAGED HOUSES

Although we have transferred some smaller pubs to tenancy, the Managed House division remains a key part of the Company's strategy for the future.

Last year, turnover in Managed Houses showed an increase over the previous year of 1.8%. Within this, wet sales were up 0.5% and food sales up 7.4%. However, stripping out the benefit of the 53rd week, the houses that were directly comparable showed a like-for-like sales decline of 2.2%. Within this, wet sales showed a decline of 2.9% and food sales declined by 0.3%. We attribute this disappointing performance partly to comparisons with the hot summer of 2003 but also partly to the inevitable, but short-term, distraction of the many changes we have made.

McMULLEN & SONS, LIMITED

STATEMENT BY THE CHAIRMAN – *continued*

Amusement with Prizes Machines showed a decline of 8.6% across Managed Houses for the year, continuing the fall that started in the second half of last year. We continue to attribute this decline to the advantage given by the Government to betting shops which can now operate fixed odds betting terminals with cash payouts significantly greater than those allowed in public houses.

The overhead costs of running pubs under management have risen significantly in recent years. In particular, there have been increases well above inflation on the minimum wage, energy and insurance.

Nevertheless, we remain confident that there is a prosperous future for good, well run managed houses. We plan, therefore, to grow the managed house business through the continued acquisition of new freehold properties and the further development of our existing estate. Following the success of our Baroosh style bars in Hertford, Cambridge and Uxbridge, we have opened our fourth Baroosh in Staines. We continue to look for opportunities in prosperous south-east towns and have acquired potential Baroosh sites in Chelmsford and Maidenhead.

We are also developing our more traditional pubs: The Robin Hood, Botany Bay, and the Jolly Farmers, Enfield, were major refurbishments just over a year ago; and both are trading well above plan. More recently, smaller refurbishments were completed in the last quarter of the year at the Royal Oak, Chingford and the Harrier, Hatfield; and both are trading to expectations.

TRAINING

The Company remains committed to training and we have recently converted premises on our Hertford site into a new Management Development Centre and Training Kitchen. The facilities include a main training room, working bar and cellar, fully equipped training kitchen and syndicate rooms. This is an important initiative as it will help us to raise standards in both managed and tenanted pubs by assisting all members of our team to achieve their potential as well as building depth to the cooking skills available in our food pubs.

DIVIDENDS

At last year's AGM, I promised shareholders that the Board would review the dividend policy to ensure that it was fair to shareholders and sustainable for the Company. During the year, the Board engaged Cazenove to provide independent advice on this matter.

The review has been conducted against the background of more difficult trading conditions, as outlined earlier in my statement. The slowdown in consumer spending has made it difficult to increase sales at a time when there have been significant increases in major costs such as the minimum wage, national insurance, and energy. These pressures are likely to continue and, indeed, be compounded by Government regulation on issues such as licensing and smoking in pubs.

The Board also recognises that there is a limit to the growth that the Company can achieve from its existing assets. The Board is also mindful that £43.5 million has been paid to shareholders in 2004 through the share buy-backs and that the proceeds from the sale of ancillary properties will be used towards the repayment of the resulting loan. Continued long-term growth will depend upon the Company acquiring new pubs; which, in turn, will require access to funding. As the family shareholders do not wish to see their ownership diluted, funding will have to come from a mix of retained profits and borrowings.

For all these reasons, therefore, the Board concluded that there should be a balanced approach when deciding how much of retained profits should be paid to shareholders as dividend.

For a great many years, it has been the practice of the Company to make bonus issues of preference shares to ordinary and preferred ordinary shareholders as a means of providing additional income as an alternative to increases in ordinary dividends. Looking to the future, the Board plans that,

McMULLEN & SONS, LIMITED

STATEMENT BY THE CHAIRMAN – *continued*

apart from exceptional circumstances, all payments to shareholders will be by ordinary dividends which are paid to holders of Ordinary, Non-Voting Ordinary and Preferred Ordinary shares. Bonus issues of preference shares will cease.

Turning to recent dividend history, for the financial year ended September 2001, an ordinary dividend of 1.168 pence per share was paid. For the financial years ended September 2002 and 2003, special dividends were paid to assist with shareholder costs associated with the capital reorganisation.

In my statement a year ago, as a holding position and pending the review of dividend policy, I forecast a likely total ordinary dividend payment for the year to September 2004 of 2.3375 pence per share payable on the increased number of shares following the reorganisation.

Following the review, and having regard to the fact that bonus issues of preference shares have ceased, the Board now recommends that the dividend cover for 2004 should be set at 4.5 times profit after tax but before exceptional items; this produces a total ordinary dividend of 3.2146 pence on the shares in issue after the reorganisation. This total ordinary dividend of 3.2146 pence is 38% higher than forecast in my statement last year and 51% higher than the 2003 dividend (excluding the special dividend). In addition, the Company pays a preference dividend of £76k on the Preferred Ordinary shares. This is a fixed annual amount and is included in the dividend cover calculations.

To achieve this total dividend for the year, the Board recommends a final ordinary dividend of 1.8121 pence per Ordinary share which is nearly twice the amount indicated in the 2003 Report & Accounts.

Taking an overview, the holder of, for example, 1,000 Ordinary shares in 2001 will have seen their dividend income grow from £11.68 for 2001 to £64.29 for 2004. A holder of 1,000 Preferred Ordinary shares in 2001 would have received a similar increase in ordinary dividends and additionally is entitled to the fixed preferential dividend of £11.92.

For the purposes of forward planning, it will be helpful for shareholders to know that the interim ordinary dividends in the coming year are expected to be:

April 2005	First interim dividend	0.6430p (0.4675p in 2004)
July 2005	Second interim dividend	0.6430p (0.4675p in 2004)
October 2005	Third interim dividend	0.6430p (0.4675p in 2004)

The recommendation on the final dividend in February 2006 will be based on the profits for the year ending 1st October, 2005 and the policy outlined above.

PEOPLE

During the year our Estates Director, Ken Colbourne, retired after 20 years service. On behalf of the Board, I thank Ken for his contribution to the success and expansion of the Company and wish him a long and happy retirement. Andrew Newbury, Property Manager, now heads up the Estates Department.

I also thank all our staff for their contribution to the Company during this period of change.

OUTLOOK

As a result of the capital reconstruction, the Company is smaller than it was. However, I am confident that the changes we are making will secure its future and provide the platform for renewed growth.

19th January, 2005

C D Brims

McMULLEN & SONS, LIMITED

REPORT OF THE DIRECTORS

The Directors submit their Report and the Group Financial Statements of McMullen & Sons, Limited for the 53 week period ended 2nd October, 2004.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The principal business of the Group during the period was the same as in the last period, being the fully integrated activities of a regional brewer and encompassed brewing and the packaging of beer, wholesaling and retailing together with the ownership and management of licensed and ancillary premises all within the United Kingdom.

During the 53 weeks ended 2nd October, 2004, the Group continued to trade profitably and it is expected that expenditure on public houses will continue at a high level. Future developments have been referred to in the Chairman's Statement.

PROFITS AND DIVIDENDS

After payment of the interim dividends, and providing for the Final Dividend of 1.8121p on the Ordinary, Non-Voting Ordinary and Preferred Ordinary shares there is a balance of £11,310,812 (2003: £5,358,042) to be retained for investment in the business and part repayment of the loan. The Final Dividend will be payable on 10th March, 2005.

BOARD OF DIRECTORS AND SHAREHOLDINGS

Directors of the Company who served during the period are shown on page 1. In addition, Mr. K. M. Colbourne retired from the Board on 30th September, 2004.

In accordance with the Articles of Association, Mr. D. S. McMullen, Mr. F. J. McMullen and Mr. I. P. McMullen retire from the Board and, being eligible, offer themselves for re-election.

All Directors' contracts of service with the Company and its subsidiary undertakings are determinable on one year's notice without payment of compensation.

During the period no Director has had a material interest in any contract, significant in relation to the Company's business, entered into by any company in the Group.

Details of Directors' shareholdings:

(a) 12.5p Ordinary, 12.5p Preferred Ordinary and 12.5p Non-voting Ordinary Shares as at 2nd October, 2004

	Beneficial and Family Holdings			Trustee Holdings		
	Ordinary Shares	Non-voting Ordinary Shares	Preferred Ordinary Shares	Ordinary Shares	Non-voting Ordinary Shares	Preferred Ordinary Shares
C D Brims	—	—	—	—	—	—
P. Furness-Smith	—	—	—	—	—	—
J. C. McMullen	1	—	—	1,108,621	386,907	553,770
I. P. McMullen	432,871	151,071	1,685,211	4,198,078	2,061,115	4,041,452
D. S. McMullen	686,000	561,000	421,484	3,322,860	2,334,950	4,653,452
F. J. McMullen	907,094	316,574	63,138	128,720	44,923	—
J.S. Lythgoe	—	—	—	—	—	—

McMULLEN & SONS, LIMITED

REPORT OF THE DIRECTORS – continued

(b) 25p Ordinary, 25p Preferred Ordinary and £1 Preference Shares as at 28th September, 2003

	Beneficial and Family Holdings				Trustee Holdings			
	Ordinary Shares	Preferred Ordinary Shares	Preference Shares 10.5%	Preference Shares 6.5%	Ordinary Shares	Preferred Ordinary Shares	Preference Shares 10.5%	Preference Shares 6.5%
C. D. Brims	–	–	–	–	–	–	–	–
P. Furness-Smith	–	–	–	–	–	–	–	–
J. C. McMullen	1	–	74,861	–	1,108,621	410,506	–	–
I. P. McMullen	432,871	1,249,231	134,554	–	4,198,078	2,594,819	383,649	2,000
D. S. McMullen	686,000	312,442	219	–	3,322,860	2,972,818	337,091	2,000
F. J. McMullen	907,094	310,502	1,510	–	128,720	–	5,490	–
J. S. Lythgoe	–	–	–	–	–	–	–	–

FIXED ASSETS

Freehold and leasehold properties were valued as at 12th September, 2002 by independent professional valuers at £176 million (which at that date had a net book value of £66 million) in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. The basis of valuation was open market value which is the higher of existing use or alternative development use taking into account the probability of achieving such change of use under prevailing planning policies. Properties which were valued at £8.147 million at September 2002 have subsequently been sold.

CHARITABLE AND POLITICAL DONATIONS

The Group supports local organisations and initiatives and during the period contributed £4,252 for charitable purposes. During the period the Group made no political donations.

TAXATION STATUS

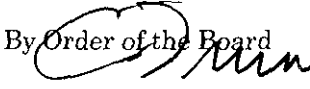
The Company is a close company within the meaning of the Income and Corporation Taxes Act 1988 Section 414.

AUDITORS

A resolution to re-appoint Baker Tilly as auditors will be put to the members at the Annual General Meeting.

Registered Office:
26 Old Cross
Hertford
SG14 1RD

19th January, 2005

By  Order of the Board
C. F. BUTLER
Company Secretary

McMULLEN & SONS, LIMITED

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

Company law requires the Directors to prepare Financial Statements for each financial period 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;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

McMULLEN & SONS, LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF McMULLEN AND SONS, LIMITED

We have audited the financial statements on pages 10 to 21.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinion we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors' responsibilities for preparing the Annual Report and the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the Financial Statements give a true and fair view and are 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 with the Company is not disclosed.

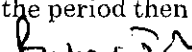
We read other information contained in the Annual Report, and consider whether it is consistent with the audited Financial Statements. This other information comprises only the Directors' Report and the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements. Our responsibilities do not extend to any other information.

BASIS OF 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. 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 Group'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 are free from material misstatement, 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 the affairs of the Company and of the Group as at 2nd October, 2004 and of the profit of the Group for the period then ended and have been properly prepared in accordance with the Companies Act 1985. 

2 Bloomsbury Street
London
WC1B 3ST

BAKER TILLY
Chartered Accountants
Registered Auditor

19th January, 2005

McMULLEN & SONS, LIMITED AND SUBSIDIARY UNDERTAKINGS

GROUP PROFIT AND LOSS ACCOUNT FOR THE 53 WEEKS ENDED 2nd OCTOBER, 2004

	Note	2004 £000	2003 £000
TURNOVER	1c	54,623	54,515
Change in stocks of finished goods and work in progress.		(70)	(340)
		<u>54,553</u>	<u>54,175</u>
Raw materials, consumables and excise duties		14,245	14,122
Other operating charges	2a	14,032	12,474
Staff costs	3	15,555	15,074
Depreciation and amounts written off tangible fixed assets	7a	<u>3,090</u>	<u>2,744</u>
		<u>46,922</u>	<u>44,414</u>
OPERATING PROFIT		7,631	9,761
Income from other fixed asset investments		1	3
Other interest receivable	2b	<u>383</u>	<u>408</u>
		<u>384</u>	<u>411</u>
Less interest payable and similar charges	2c	<u>(1,373)</u>	<u>(13)</u>
		<u>(989)</u>	<u>398</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE EXCEPTIONAL ITEMS AND TAXATION		6,642	10,159
Exceptional Items	5	<u>10,182</u>	<u>513</u>
PROFIT ON ORDINARY ACTIVITIES INCLUDING EXCEPTIONAL ITEMS AND BEFORE TAXATION		16,824	10,672
Taxation	4	<u>(4,484)</u>	<u>(3,661)</u>
PROFIT AFTER TAXATION		12,340	7,011
- Preference		181	443
- Equity		<u>848</u>	<u>1,210</u>
Dividends	6	<u>(1,029)</u>	<u>(1,653)</u>
RETAINED PROFIT FOR THE PERIOD	16	<u>11,311</u>	<u>5,358</u>

The profit for the period arises from the Group's continuing operations.

No separate Statement of the Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account.

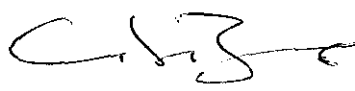
The notes on pages 13 to 21 form part of these accounts.

McMULLEN & SONS, LIMITED AND SUBSIDIARY UNDERTAKINGS

BALANCE SHEETS AS AT 2nd OCTOBER, 2004

		Group		Company	
	Note	2004 £000	2003 £000	2004 £000	2003 £000
FIXED ASSETS					
Tangible assets	7a	69,503	66,866	69,503	66,866
Investments	7b	35	73	94	132
		<u>69,538</u>	<u>66,939</u>	<u>69,597</u>	<u>66,998</u>
CURRENT ASSETS					
Stocks	9	1,333	1,455	1,333	1,455
Debtors	10	1,322	1,421	1,322	1,418
Cash at bank and in hand		7,672	16,164	7,660	16,159
		<u>10,327</u>	<u>19,040</u>	<u>10,315</u>	<u>19,032</u>
CREDITORS: amounts falling due within one year					
Trade and other creditors	11	6,669	6,697	7,990	7,902
Taxation		2,875	1,948	2,848	1,923
Proposed dividend		641	675	641	675
		<u>10,185</u>	<u>9,320</u>	<u>11,479</u>	<u>10,500</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>142</u>	<u>9,720</u>	<u>(1,164)</u>	<u>8,532</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>69,680</u>	<u>76,659</u>	<u>68,433</u>	<u>75,530</u>
CREDITORS: amounts falling due after more than one year					
PROVISIONS FOR LIABILITIES AND CHARGES	12	25,474	366	25,339	233
	14	1,637	1,517	1,637	1,517
		<u>27,111</u>	<u>1,883</u>	<u>26,976</u>	<u>1,750</u>
		<u>42,569</u>	<u>74,776</u>	<u>41,457</u>	<u>73,780</u>
CAPITAL AND RESERVES					
Called up share capital	15	3,299	7,980	3,299	7,980
Capital redemption reserve	16	5,645	964	5,645	964
Profit and loss account	16	33,625	65,832	32,513	64,836
Shareholders' funds (including non-equity interests).	18	<u>42,569</u>	<u>74,776</u>	<u>41,457</u>	<u>73,780</u>

Approved by the Board on 19th January, 2005


C. D. Brims Chairman


J. S. Lythgoe Director

The notes on pages 13 to 21 form part of these accounts.

McMULLEN & SONS, LIMITED AND SUBSIDIARY UNDERTAKINGS

GROUP CASH FLOW STATEMENT FOR THE 53 WEEKS ENDED 2nd OCTOBER, 2004

	2004		2003	
	£000	£000	£000	£000
RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM				
OPERATING ACTIVITIES				
Operating Profit		7,631		9,761
Cash outflow in respect of exceptional items		(1,020)		(2,284)
(Profit)/Loss on sale of Tangible Fixed Assets		(27)		5
Depreciation Charges		3,090		2,744
Decrease in Stocks		122		61
Decrease/(Increase) in Debtors		99		(153)
(Decrease)/Increase in Creditors		(538)		1,030
		<u>9,357</u>		<u>11,164</u>
CASH FLOW STATEMENT				
Net Cash Inflow from Operating Activities		9,357		11,164
Returns on Investments and Servicing of Finance				
Interest Received	389		419	
Less Interest Paid	(1,369)		(12)	
		(980)		407
Preference Dividends Paid		(187)		(443)
Taxation		(3,462)		(3,075)
Capital Expenditure and Financial Investment				
Receipts from Fixed Asset Investments	31		45	
Payments to acquire Tangible Fixed Assets	(6,329)		(3,184)	
Receipts from sales of Tangible Fixed Assets				
– Property	11,396		2,081	
– Other	77		17	
		5,175		(1,041)
		9,903		7,012
Equity Dividends Paid		(877)		(1,005)
		9,026		6,007
Management of Liquid Resources				
Decrease/(Increase) in Short Term Deposits		8,579		(6,174)
Net Cash Flow Before Financing		17,605		(167)
Financing				
New bank loan received	38,000		–	
Loan repayments made	(12,000)		–	
Purchase of own shares	(43,518)		–	
		(17,518)		–
INCREASE/(DECREASE) IN CASH		<u>87</u>		<u>(167)</u>
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT				
Increase/(Decrease) in cash in the period	87		(167)	
Net cash inflow from increase in debt	(26,000)		–	
Cash (inflow)/outflow from (decrease)/increase in liquid resources	(8,579)		6,174	
Movement in net debt in the period		(34,492)		6,007
Net funds at the beginning of period		16,164		10,157
Net (debt)/funds at end of period		<u>(18,328)</u>		<u>16,164</u>

McMULLEN & SONS, LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE ACCOUNTS FOR THE 53 WEEKS ENDED 2nd OCTOBER, 2004

1. ACCOUNTING POLICIES

(a) Basis of Accounting

The Financial Statements have been prepared under the historical cost convention and are for a period of 53 weeks ended 2nd October, 2004. The comparative figures are for a period of 52 weeks ended 27th September, 2003. The Financial Statements have been prepared in accordance with applicable accounting standards.

All accounting policies applied are consistent with those of prior periods.

(b) Basis of Consolidation

The consolidated Financial Statements incorporate those of McMullen & Sons, Limited and all of its subsidiary undertakings made up to 2nd October, 2004. McMullen & Sons, Limited is the holding company and it has not presented its own profit and loss account as provided by Section 230(3), Companies Act 1985.

All Group companies are incorporated in Great Britain.

McMullen & Sons, Limited and McMullen's of Hertford Limited operate in England.

G. B. Christie Limited is dormant.

(c) Turnover

This is stated exclusive of value added tax at net value of goods and services supplied to customers and rents within the Company's ordinary activities.

(d) Other accounting policies

These are disclosed in the following notes.

2. PROFIT ON ORDINARY ACTIVITIES

(a) Other operating charges include:

	2004 £000	2003 £000
(Profit)/Loss on sale of fixed assets	(27)	5
Depreciation of fixed assets	3,090	2,744
Remuneration of the Auditors:		
Audit services	52	50
For other services	47	56
(b) Other interest receivable	383	408
(c) Interest payable	1,373	13

3. EMPLOYEES

	2004 £000	2003 £000
Staff costs during the period amounted to:		
Wages and salaries	14,439	13,875
Social security costs	1,078	1,143
Other pension costs	38	56
	15,555	15,074
	Number	Number
Average number of employees during period	1,000	954

(Part-time employees are included in the above figures on the basis of their full-time equivalents)

Retirement Benefits

Pension schemes operated by the Group provide benefits based on final pensionable salary. The assets of the schemes are held in separate trustee-administered funds. Contributions to the schemes are charged to the profit and loss account so as to spread the cost of pensions over the average anticipated working lives of employees. The contributions are assessed by a qualified independent consulting actuary on the basis of triennial valuations.

The most recent actuarial valuation of the principal scheme, made at 30th September, 2003, showed that the market value of the scheme's assets was £23 million and that the assets represented 120% of the benefits that had accrued to members after allowing for expected future increases in earnings. The future contribution rate has been assessed using the projected unit method, and it was assumed that the rate of return on investments and the rate of increase of salaries would be 4.75% p.a. The most recent actuarial valuation of the Company managers' scheme showed it to be soundly funded.

McMULLEN & SONS, LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE ACCOUNTS – continued

3. EMPLOYEES – continued

Due to the size of the surplus in the principal scheme no contribution was made by the Company during the year. Following the actuarial valuation, the Company has commenced contributions to the scheme at the rate of 5% of pensionable salaries with effect from October 2004. McMullen's of Hertford Limited, a subsidiary company, continued to pay contributions to the managers' scheme at a rate of 5.8% of pensionable salaries.

The table below sets out the key FRS17 assumptions used for the Group's defined benefit schemes. The table also sets out as at 2nd October, 2004 a breakdown of the assets of the pension schemes into the main asset classes, the present value of the FRS17 liabilities of the pension schemes, the related deferred tax liability and the net pensions asset.

	At 02.10.04 %	At 27.09.03 %	At 28.09.02 %
Rate of increase in salaries	5.4	5.1	4.8
Rate of increase in pensions in payment.	2.7	2.5	2.3
Discount rate	5.5	5.4	5.5
Inflation assumption	2.9	2.6	2.3

The assets in the schemes and the expected rates of return were:

	Long-term rate of return expected at 02.10.04 %	Value at 02.10.04 £000	Long-term rate of return expected at 27.09.03 %	Value at 27.09.03 £000	Long-term rate of return expected at 28.09.02 %	Value at 28.09.02 £000
With-profits fund	7.1	2,286	6.8	2,431	6.5	2,598
Equities.	7.1	18,260	6.8	19,458	6.5	17,167
Bonds.	4.7	3,038	4.7	3,069	4.4	3,659
Cash	4.8	2,761				
Total market value of assets		26,345		24,958		23,424
Present value of liabilities of schemes		(18,780)		(17,305)		(15,933)
Surplus in schemes		7,565		7,653		7,491
Related deferred tax liability		(2,269)		(2,296)		(2,247)
Net pension asset		5,296		5,357		5,244

Under FRS17, the schemes would be represented on the balance sheet as an asset of £7.565 million (£5.296 million net of deferred tax).

No adjustment has been made to the primary statements in respect of FRS17, as permitted by the transitional rules of this standard. However, the following tables show the impact on the Financial Statements if the standard had been fully implemented at the balance sheet date:

<i>Movement in schemes surplus during the year</i>	2004 £000	2003 £000
Surplus in schemes at beginning of year	7,653	7,491
Movement in year:		
Current service cost (total)	(607)	(586)
Aggregate contributions.	43	57
Other finance income	677	551
Actuarial (loss)/gain recognised in STRGL	(201)	140
Surplus in schemes at end of year	7,565	7,653
<i>Analysis of the amount that would be charged to operating profit</i>	2004 £000	2003 £000
Employer's part of current service cost.	588	561
Total operating charge	588	561
<i>Analysis of the amount that would be credited to other finance income</i>	2004 £000	2003 £000
Expected return on pension scheme assets	1,598	1,418
Interest on pension scheme liabilities	(921)	(867)
Net return – credit	677	551

McMULLEN & SONS, LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE ACCOUNTS – continued

3. EMPLOYEES – continued

<i>Analysis of amount that would be recognised in STRGL</i>	2004 £000	%	2003 £000	%	2002 £000	%
Actual return less expected return on pension scheme assets	867	3	994	4	(6,385)	(27)
Experience gains and losses arising on the scheme liabilities	90	0	(114)	(1)	101	1
Changes in assumptions underlying the present value of scheme liabilities	(1,158)	(7)	(740)	(4)	(1,460)	(9)
	<u>(201)</u>	<u>(1)</u>	<u>140</u>	<u>1</u>	<u>7,744</u>	<u>(49)</u>

The above percentages show the STRGL components as a percentage of the year end assets or liabilities, as appropriate.

	2004 £000	2003 £000
Directors' Remuneration		
Aggregate Directors' remuneration consisted of:		
Fees	46	25
Other emoluments	612	1,261
	<u>658</u>	<u>1,286</u>
Company pension contributions to defined benefit schemes	–	–
	<u>658</u>	<u>1,286</u>

	2004 Number	2003 Number
Number of Directors accruing retirement benefits under the Company's principal defined benefit scheme	4	5

Remuneration of the highest paid Director consists of:

	2004 £000	2003 £000
Emoluments	163	329
Accrued pension at end of year	9	6
Accrued lump sum at end of year	63	45

4. TAXATION

	2004 £000	2003 £000	2004 £000	2003 £000
(a) <i>Analysis of charge in period</i>				
Current Tax:				
UK corporation tax on profits of the period	4,227	3,426		
Adjustments in respect of previous periods	162	–		
Total current tax (note 4(b))		4,389		3,426
Deferred Tax:				
Origination and reversal of timing differences	95	235		
Total deferred tax (note 13)		95		235
Tax on profit on ordinary activities		4,484		3,661

Taxation of £2,106,230 has been provided on the exceptional items (2003: £177,521)

McMULLEN & SONS, LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE ACCOUNTS—continued

4. TAXATION—continued

(b) Factors affecting the tax charge

The tax assessed for the period is lower (2003: higher) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2004 £000	2003 £000
Profit on ordinary activities before tax	16,824	10,672
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%)	5,047	3,202
Effects of:		
Expenses not deductible for tax purposes	351	458
Capital allowances for the period in excess of depreciation	52	(26)
Rollover relief on profit on disposal of property	—	—
Adjustments in respect of capital gains	(1,207)	(194)
Lower rate tax adjustment	(16)	(14)
Adjustment in a respect of a previous period	162	—
Current tax charge for period (note 4(a))	4,389	3,426

(c) Factors that may affect future tax charges

Based on current capital investment plans, the Group expects to continue to be able to claim capital allowances in excess of depreciation in future years.

No provision has been made for deferred tax on the sale of properties where potentially taxable gains have been rolled over into replacement assets. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. The total amount unprovided is £687,072.

5. EXCEPTIONAL ITEMS

	2004 £000	2003 £000
Profit on sale of property	11,116	1,815
Financial and advisory costs regarding group structure	(909)	(1,229)
Healthcare costs	(25)	(73)
	10,182	513

6. DIVIDENDS

	6.5% Preference Shares £000	10.5% Preference Shares £000	Preferred Ordinary Shares £000	Ordinary Shares £000	2004 £000	2003 £000
Preference						
— paid	17	88	38	—	143	222
— accrued	—	—	38	—	38	221
Equity						
— interim paid	—	—	119	128	247	756
— interim accrued	—	—	59	64	123	152
— final proposed	—	—	230	248	478	302
	17	88	484	440	1,029	1,653

McMULLEN & SONS, LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE ACCOUNTS – continued

7. FIXED ASSETS

(a) Tangible Assets – Group and Company

	Land & buildings			Payments	Plant and	Fixtures, fittings, tools and equipment	Total
	Freehold	Leasehold	Short	on	machinery		
	£000	£000	£000	account	£000	£000	£000
Cost at 28th September, 2003	59,427	530	182	552	6,639	22,874	90,204
Additions	2,385	7	–	959	497	2,207	6,055
Transfers between categories	791	–	–	(1,457)	–	666	–
Disposals	(392)	(68)	–	–	(240)	(1,024)	(1,724)
At 2nd October, 2004	62,211	469	182	54	6,896	24,723	94,535
Depreciation							
At 28th September, 2003	4,890	128	54	–	6,233	12,033	23,338
Charge for period	408	6	4	–	221	2,451	3,090
Disposals	(153)	(28)	–	–	(240)	(975)	(1,396)
At 2nd October, 2004	5,145	106	58	–	6,214	13,509	25,032
NET BOOK VALUE							
At 2nd October, 2004	57,066	363	124	54	682	11,214	69,503
NET BOOK VALUE							
At 28th September, 2003	54,537	402	128	552	406	10,841	66,866

Industrial and office buildings, plant and fixtures are depreciated over their estimated useful lives.

The following rates of depreciation have been adopted:

Freehold industrial and office buildings	2% p.a. on cost.
Long and short leasehold properties	equal instalments over the period of the lease.
Plant and machinery, fixtures, fittings, tools and equipment	at varying rates between 5% and 50% p.a. on cost.

The Company has provided for depreciation on Freehold Licensed Premises and Domestic Property thus ensuring compliance with FRS15 published by the Accounting Standards Board. Depreciation is provided at the rate of 2% on cost for the Freehold Licensed Premises assuming an 80% residual value. Depreciation is provided at 2% on cost for Domestic Premises.

Expenditure on major refurbishments is charged to Payments on Account and apportioned to the relevant category on completion and no depreciation is provided until that time.

(b) Investments

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
At cost:				
Subsidiary undertakings				
McMullen's of Hertford Limited	–	–	1	1
G. B. Christie Limited	–	–	58	58
Others	38	76	38	76
	38	76	97	135
Less: Provisions	(3)	(3)	(3)	(3)
	35	73	94	132

Details of the Company's investments in subsidiary undertakings are as follows:

	Holding	Proportion of voting rights and shares held	Nature of business
McMullen's of Hertford Limited	Ordinary shares	100%	Supply of employment services
G. B. Christie Limited	Ordinary shares	100%	Dormant

The Directors are of the opinion that the other investments are at least worth their book value.

McMULLEN & SONS, LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE ACCOUNTS – continued

8. CAPITAL COMMITMENTS

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
Contracted for	224	610	224	610
Authorised by Directors but not contracted for	3,225	2,669	3,225	2,669

9. STOCKS

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
Raw materials and consumables	160	197	160	197
In process products.	32	51	32	51
Finished goods and goods for resale.	1,141	1,207	1,141	1,207
	<u>1,333</u>	<u>1,455</u>	<u>1,333</u>	<u>1,455</u>

These have been valued at the lower of cost or net realisable value.

Raw materials and consumables and Finished goods and goods for resale	}	Cost of acquisition being the amounts charged by suppliers including any excise duties payable.
In process products	}	Cost of production comprising raw material, labour and excise duties payable plus attributable brewery overheads based on normal levels of activity but excluding all selling and administration costs

10. DEBTORS

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
Trade debtors	1,047	1,378	1,047	1,378
Other debtors	220	7	220	4
Prepayments and accrued income.	55	36	55	36
	<u>1,322</u>	<u>1,421</u>	<u>1,322</u>	<u>1,418</u>

11. TRADE AND OTHER CREDITORS

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
Bank loan	900	–	900	–
Trade creditors.	2,443	3,150	2,443	3,150
Amount owed to subsidiary undertaking	–	–	1,754	1,581
Other taxation and social security costs.	1,673	1,783	1,389	1,551
Other creditors.	216	208	69	67
Accruals.	1,437	1,556	1,435	1,553
	<u>6,669</u>	<u>6,697</u>	<u>7,990</u>	<u>7,902</u>

12. CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
Bank loan	25,100	–	25,100	–
Other creditors.	374	366	239	233
	<u>25,474</u>	<u>366</u>	<u>25,339</u>	<u>233</u>

McMULLEN & SONS, LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE ACCOUNTS – continued

13. MATURITY OF DEBT

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
In one year or less	900	–	900	–
Between one and two years	1,200	–	1,200	–
Between two and five years	3,600	–	3,600	–
Over five years – by instalments	300	–	300	–
– final payment	20,000	–	20,000	–
	<u>26,000</u>	<u>–</u>	<u>26,000</u>	<u>–</u>

The bank loan incurs interest at a rate of between 1% and 1.25% above LIBOR and is repayable in full by 12th November 2009. The loan is unsecured but there is a solicitors' undertaking to hold property deeds valued at no less than £60 million.

14. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred Tax

Deferred tax is recognised in respect of all timing differences, other than rolled over gains as detailed in note 4(c), that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the Financial Statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Provision has been made as follows:

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
Accelerated capital allowances	1,169	1,096	1,169	1,096
Short term timing differences	(60)	(82)	(60)	(82)
	<u>1,109</u>	<u>1,014</u>	<u>1,109</u>	<u>1,014</u>

The movements on the deferred taxation provision were:

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
At 28th September, 2003	1,014	779	1,014	779
Charged to profit and loss account	95	235	95	235
At 2nd October, 2004	<u>1,109</u>	<u>1,014</u>	<u>1,109</u>	<u>1,014</u>

Post-retirement benefit provision

The Company is committed to paying 50% of the cost of premiums for post-retirement healthcare in respect of certain ex-employees. The actuarial value of the obligation in respect of past service up to 2nd October, 2004, based upon the advice of an independent qualified actuary, amounts to £528,000.

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
At 28th September, 2003	503	430	503	430
Profit and loss account	25	73	25	73
At 2nd October, 2004	<u>528</u>	<u>503</u>	<u>528</u>	<u>503</u>

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
Total Provision for Liabilities and Charges	<u>1,637</u>	<u>1,517</u>	<u>1,637</u>	<u>1,517</u>

McMULLEN & SONS, LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE ACCOUNTS – continued

15. SHARE CAPITAL

	<i>Authorised</i>			
	2004 Number	2003 Number	2004 £000	2003 £000
6.5% Cumulative Preference Shares of £1 each	841,105	841,105	841	841
10.5% Cumulative Preference Shares of £1 each	2,690,950	2,690,950	2,691	2,691
Preferred Ordinary Shares of 25p each	–	10,825,000	–	2,706
Preferred Ordinary Shares of 12.5p each	21,650,000	–	2,706	–
Ordinary Shares of 25p each	–	10,825,000	–	2,706
Ordinary shares of 12.5p each	10,825,000	–	1,353	–
Non-voting Ordinary Shares of 12.5p each	10,825,000	–	1,353	–
			<u>8,944</u>	<u>8,944</u>
	<i>Issued & Fully Paid</i>			
	2004 Number	2003 Number	2004 £000	2003 £000
6.5% Cumulative Preference Shares of £1 each	–	841,105	–	841
10.5% Cumulative Preference Shares of £1 each	–	2,690,950	–	2,691
Preferred Ordinary Shares of 25p each	–	8,894,612	–	2,224
Preferred Ordinary Shares of 12.5p each	12,714,372	–	1,589	–
Ordinary Shares of 25p each	–	8,894,612	–	2,224
Ordinary shares of 12.5p each	8,894,612	–	1,112	–
Non-voting Ordinary Shares of 12.5p each	4,781,015	–	598	–
			<u>3,299</u>	<u>7,980</u>

On 22nd January, 2004 the Company cancelled and repaid both the 6.5% and 10.5% Cumulative Preference Shares at a price of 120 pence and 195 pence each respectively. In order to ensure that Preference Shares are available for future issues, 841,105 new 6.5% Preference Shares and 2,690,950 new 10.5% Preference Shares were subsequently authorised but not issued at this time.

In addition, on the same date, each Preferred Ordinary Share was split into two new Preferred Ordinary Shares of 12.5p each and the Ordinary Shares were each split into one new Ordinary Share of 12.5p and one new Non-voting Ordinary Share of 12.5p.

The Company then offered to repurchase up to 5,790,123 new Preferred Ordinary Shares at 410 pence each and up to 5,790,123 Non-voting Ordinary Shares at 400 pence each. As a result of this offer, the Company subsequently repurchased and cancelled 5,074,852 new Preferred Ordinary Shares and 4,113,597 Non-voting Ordinary Shares.

Brief Summary of Class Rights

Voting

The 6.5% and 10.5% Cumulative Preference Shares, the Preferred Ordinary Shares and Non-voting Ordinary Shares are only entitled to vote when their dividends are in arrears or on a winding up or on a variation of class rights.

Dividends

The 6.5% and 10.5% Cumulative Preference Shares carry rights to fixed preferential dividends in priority to other classes. The Preferred Ordinary Shares are entitled as a class to a fixed preferential dividend of a relevant proportion of £106,085 per annum. The Preferred Ordinary and the Ordinary Shares are entitled equally to the Ordinary dividends declared in proportion to the issued nominal amount of those classes of capital.

Winding up

In a winding up, the 6.5% and 10.5% Cumulative Preference Shares are entitled to the greater of the capital paid up or a sum per share (in pounds) equal to 6.5%, or 10.5%, respectively, divided by the sum of (i) the yield on 3.5% War Loan government stock (expressed as a percentage) and (ii) 1.5% together with arrears of dividend.

The Preferred Ordinary Shares as a class are entitled to the capital paid up, any arrears of dividend and a proportion of the sum remaining for distribution after the priority payments above, in proportion to the issued nominal amount of Preferred Ordinary and Ordinary Capital.

Detailed Provisions

This is an abbreviated summary and reference should be made to the Company's Articles of Association for full details.

McMULLEN & SONS, LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE ACCOUNTS – continued

16. RESERVES

	Capital Redemption Reserves		Profit & Loss Account	
	2004	2003	2004	2003
	£000	£000	£000	£000
<i>Group</i>				
At beginning of period	964	964	65,832	60,474
Profit for the period	–	–	11,311	5,358
Effect of purchase of own shares	4,681	–	(43,518)	–
At end of period	<u>5,645</u>	<u>964</u>	<u>33,625</u>	<u>65,832</u>
<i>Company</i>				
At beginning of period	964	964	64,836	59,584
Profit for the period	–	–	11,195	5,252
Effect of purchase of own shares	4,681	–	(43,518)	–
At end of period	<u>5,645</u>	<u>964</u>	<u>32,513</u>	<u>64,836</u>
			2004	2003
			£000	£000
Profit dealt with in the accounts of the parent company.			<u>12,224</u>	<u>6,905</u>

17. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2004	2003
	£000	£000
Profit after taxation	12,340	7,011
Dividends	(1,029)	(1,653)
Purchase of own shares	(43,518)	–
Net (reduction)/addition to shareholders' funds	(32,207)	5,358
Shareholders' funds at beginning of period (including non-equity interests)	74,776	69,418
Shareholders' funds at end of period (including non-equity interests)	<u>42,569</u>	<u>74,776</u>

18. SHAREHOLDERS' FUNDS

	2004	2003
	£000	£000
Equity interests		
Ordinary and Preferred Ordinary Shares of 12.5p (2003: 25p) each	42,569	71,244
Non-equity interest		
6.5% Cumulative Preference Shares of £1 each	–	841
10.5% Cumulative Preference Shares of £1 each	–	2,691
	<u>–</u>	<u>3,532</u>
	<u>42,569</u>	<u>74,776</u>

The Class Rights are summarised in Note 15.

McMULLEN & SONS, LIMITED AND SUBSIDIARY UNDERTAKINGS

GROUP FINANCIAL RECORD

	2004 £000	2003 £000
Assets Employed		
Fixed Assets	69,503	66,866
Trade Investments	35	73
Net Current Assets	142	9,720
Total	69,680	76,659
Financed by		
Ordinary and Preferred Ordinary Shares	3,299	4,448
Reserves and Undistributed Profits	39,270	66,796
Equity Interest	42,569	71,244
Preference Stock	-	3,532
Creditors falling due after more than one year	25,474	366
Provision for liabilities and charges	1,637	1,517
Total	69,680	76,659
Turnover	54,623	54,515
Profits on Ordinary Activities before Exceptional Items and Taxation	6,642	10,159
Exceptional Items	10,182	513
Taxation	(4,484)	(3,661)
Profit after Taxation	12,340	7,011
Dividends		
Preferential - Net	181	443
Ordinary - Net	848	1,210
Total	1,029	1,653
Retentions		
Retained Profit for the Period	11,311	5,358
Depreciation	3,090	2,744
Total	14,401	8,102
Ordinary Dividend - pence per share	3.2146	6.8000
Earnings per Ordinary Share after taxation and before exceptional items - pence	15.47*	35.04
Earnings per Ordinary Share after taxation and after exceptional items - pence	46.08*	36.92

No adjustment has been made to prior year figures for the subdivision and capital reorganisation on 22nd January, 2004.

Ø Calculated on the share capital after the purchase of the Company's own shares on 21st November, 1994.

† Calculated on the share capital after the purchase of the Company's own shares on 2nd August, 1996.

* Calculated on the share capital in issue on 2nd October, 2004 which is after the capitalisation issues and purchase by the Company of its own shares in January 2004. If the weighted average capital in issue during the year is applied, the Earnings per Ordinary Share after taxation and before exceptional items is 13.95p and after exceptional items 41.55p.

2002 £000	2001 £000	2000 £000	1999 £000	1998 £000	1997 £000	1996 £000	1995 £000
66,455	60,893	54,141	52,155	49,490	41,894	37,690	31,908
125	170	253	337	251	204	192	195
4,474	5,514	6,847	3,914	1,599	5,742	5,319	10,173
<u>71,054</u>	<u>66,577</u>	<u>61,241</u>	<u>56,406</u>	<u>51,340</u>	<u>47,840</u>	<u>43,201</u>	<u>42,276</u>
4,448	4,448	4,448	4,448	4,448	4,448	4,448	4,804
61,438	57,282	52,283	47,514	42,628	39,615	34,392	32,962
65,886	61,730	56,731	51,962	47,076	44,063	38,840	37,766
3,532	3,532	3,532	3,532	3,532	3,532	3,532	3,532
427	423	352	312	301	296	299	322
1,209	892	626	600	431	(51)	530	656
<u>71,054</u>	<u>66,577</u>	<u>61,241</u>	<u>56,406</u>	<u>51,340</u>	<u>47,840</u>	<u>43,201</u>	<u>42,276</u>
50,959	47,339	42,313	39,596	39,444	38,138	36,592	34,109
9,073	7,112	5,901	4,942	4,403	5,446	4,550	3,898
507	1,012	1,822	2,471	687	4,508	175	212
(3,225)	(2,474)	(2,314)	(1,893)	(1,451)	(1,979)	(1,657)	(1,429)
<u>6,355</u>	<u>5,650</u>	<u>5,409</u>	<u>5,520</u>	<u>3,639</u>	<u>7,975</u>	<u>3,068</u>	<u>2,631</u>
443	443	442	442	442	442	442	442
1,756	208	198	192	184	2,310	172	176
<u>2,199</u>	<u>651</u>	<u>640</u>	<u>634</u>	<u>626</u>	<u>2,752</u>	<u>614</u>	<u>618</u>
4,156	4,999	4,769	4,886	3,013	5,223	2,454	2,063
2,565	2,374	2,322	2,133	2,022	1,920	1,903	1,732
<u>6,721</u>	<u>7,373</u>	<u>7,091</u>	<u>7,019</u>	<u>5,035</u>	<u>7,143</u>	<u>4,357</u>	<u>3,795</u>
9.8688	1.168	1.116	1.068	1.0256	12.986	0.948	0.9088
31.01	24.82	19.20	15.90	14.44	17.00	13.78†	10.54Ø
33.23	29.27	27.94	28.55	17.97	42.34	14.76†	11.64Ø

