PORTER BLACK (2003) LIMITED

ANNUAL REPORT

For the 57 weeks ended 30 September 2006

Registered Number 4825118

PORTER BLACK (2003) LIMITED

ANNUAL REPORT

Period ended 30 September 2006

Contents

PORTER BLACK (2003) LIMITED

DIRECTORS' REPORT

The Directors submit their report and the audited financial statements of the Company for the 57 weeks ended 30 September 2006 (2005: 52 weeks ended 27 August 2005).

Principal activity, review of business and future developments

The principal activity of the Company was the ownership and management of an estate of managed and tenanted public houses.

On 17 March 2006 the Company's ultimate parent undertaking, Celtic Inns Holdings Limited, was acquired by The Wolverhampton & Dudley Breweries, PLC.

The Company made a loss after taxation of £190,000 (2005: £647,000).

On 27 May 2006 the trade, assets and liabilities of the Company (excluding intra-group balances and corporation tax) were transferred at their book values to W&DB Estates Limited, a subsidiary of The Wolverhampton & Dudley Breweries, PLC. On this date the Company ceased trading.

No changes are anticipated in the foreseeable future.

Changes in accounting policies

In previous periods properties were held at cost. As outlined below, such assets are now regularly revalued and any changes in value are reflected in the balance sheet. This is consistent with the accounting policy of The Wolverhampton & Dudley Breweries, PLC.

The Company has adopted FRS 25 'Financial instruments: Disclosure and presentation'. The adoption of this standard represents a change in accounting policy and the comparative figures have been restated accordingly. The effect of the change is to reclassify £350,000 of preference shares from equity to liabilities.

Dividends

The Directors do not recommend the payment of a dividend (2005: £nil).

Directors

The Directors who held office during the period, and up to the date of this report, were as follows:

J D Murray	(resigned 17 March 2006)
J C Williams	(resigned 17 March 2006)
M A J Salter	(resigned 17 March 2006)
D Andrew	(appointed 17 March 2006)
R Findlay	(appointed 17 March 2006)
P Inglett	(appointed 17 March 2006)
S J Oliver	(appointed 17 March 2006)
A Darby	(appointed 17 March 2006)

No Director had any interest in the share capital of the Company. Details of the Directors' interests in the share capital of other group companies are disclosed in the financial statements of the ultimate parent company, The Wolverhampton & Dudley Breweries, PLC.

PORTER BLACK (2003) LIMITED

DIRECTORS' REPORT (CONTINUED)

Statement of Directors' responsibilities

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 of the profit or loss of the Company for the period. In preparing those financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments 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.

The Directors consider that they have complied fully with the above requirements in preparing the financial statements on pages 5 to 14.

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

Auditors and disclosure of information to auditors

So far as the Directors are aware, there is no relevant audit information of which PricewaterhouseCoopers LLP (PwC) are unaware, and the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that PwC are aware of that information.

Ernst & Young LLP resigned on 17 March 2006 upon the sale of the Company to The Wolverhampton & Dudley Breweries, PLC. PwC were appointed as auditors by the new directors on 17 March 2006. PwC has indicated its willingness to continue in office and a resolution proposing its reappointment will be put to the Annual General Meeting.

Approved by the Board on 1 December 2006 and signed on its behalf by

AM Brennan

Anne-Marie Brennan *Company secretary*
1 December 2006

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PORTER BLACK (2003) LIMITED

We have audited the financial statements of Porter Black (2003) Limited for the period ended 30 September 2006 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of Directors and Auditors

As described in the Statement of Directors' Responsibilities the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). 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 are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, 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 Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30 September 2006 and of its loss for the period then ended;
- The financial statements have been properly prepared in accordance with the Companies Act 1985; and
- The information given in the Directors' report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham
1 December 2006

PORTER BLACK (2003) LIMITED

PROFIT AND LOSS ACCOUNT
For the period ended 30 September 2006

	Notes	**57 weeks ending 30 September 2006 £'000**	52 weeks ending 27 August 2005 £'000
Turnover		**2,077**	2,526
Trading expenses	2	**(2,829)**	(2,760)
Operating loss		**(752)**	(234)
Interest receivable and similar income			
Before exceptional income	4	**6**	26
Exceptional income	4	**1,000**	-
Total interest receivable and similar income		**1,006**	26
Interest payable and similar charges			
Before exceptional charges	5	**(215)**	(439)
Exceptional charges	5	**(143)**	-
Total interest payable and similar charges		**(358)**	(439)
Loss on ordinary activities before taxation		**(104)**	(647)
Taxation	6	**(86)**	-
Profit/(loss) for the period	14	**(190)**	(647)

All results relate to discontinued operations.

There is no difference between the result shown above and the result for the period stated on an unmodified historical cost basis.

There are no recognised gains and losses other than those presented in the profit and loss account.

PORTER BLACK (2003) LIMITED

BALANCE SHEET
At 30 September 2006

	Notes	**30 September 2006 £'000**	As restated 27 August 2005 £'000
Fixed assets			
Tangible assets	7	-	6,298
Current assets			
Stocks	8	-	18
Debtors – due within one year	9	-	220
– due after more than one year	9	**5,748**	63
		5,748	301
Creditors (amounts falling due within one year)	10	**(6,246)**	(751)
Net current liabilities		**(498)**	(450)
Total assets less current liabilities		**(498)**	5,848
Creditors (amounts falling due after more than one year)	11	**(350)**	(6,765)
Net liabilities		**(848)**	(917)
Capital and reserves			
Called up share capital	13	**1**	1
Profit and loss account	14	**(849)**	(918)
Equity shareholders' deficit	15	**(848)**	(917)

The financial statements on pages 5 to 14 were approved by the Board on 1 December 2006 and were signed on its behalf by:

Paul Inglett
Director
1 December 2006

1 Accounting Policies

(a) Basis of accounting

These financial statements are prepared on the going concern basis, under the historical cost convention as modified by the revaluation of properties, and in accordance with the Companies Act 1985 and applicable accounting standards.

(b) Going concern

The Company's ultimate parent undertaking, The Wolverhampton & Dudley Breweries, PLC has stated its intention to provide financial support to the Company to enable it to meet its liabilities as and when they fall due. Consequently the Directors have adopted the going concern basis of preparation for the financial statements.

(c) Cash flow statement and related party disclosures

The Company is a wholly-owned subsidiary of The Wolverhampton & Dudley Breweries, PLC and is included in the consolidated financial statements of The Wolverhampton & Dudley Breweries, PLC, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1. The Company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of The Wolverhampton & Dudley Breweries, PLC Group, from the acquisition date of 17 March 2006. There were no transactions prior to that date.

(d) Changes in accounting policies

In previous periods properties were held at cost. As outlined below, such assets are now regularly revalued and any changes in value are reflected in the balance sheet. This is consistent with the accounting policy of The Wolverhampton & Dudley Breweries, PLC.

The Company has adopted FRS 25 'Financial instruments: Disclosure and presentation'. The adoption of this standard represents a change in accounting policy and the comparative figures have been restated accordingly. The effect of the change is to reclassify £350,000 of preference shares from equity to liabilities.

(e) Turnover

Turnover represents the value of goods and services supplied to customers, and rents receivable from licensed properties. Rental income is recognised in respect of the period to which it relates. Turnover is recorded net of discounts and VAT and arises solely within the United Kingdom.

(f) Stocks

Stocks are stated at the lower of cost and net realisable value.

(g) Tangible fixed assets

Freehold and leasehold properties are stated at valuation or at cost. Plant, machinery, fixtures and fittings are stated at cost.

Freehold buildings are depreciated to residual value on a straight line basis over 50 years. Leasehold properties are depreciated over the lower of the lease period and 50 years. Other tangible assets are depreciated on a straight-line basis to residual value over periods ranging from three to 15 years, being their anticipated useful lives.

Properties are revalued by independent qualified valuers at least once in each five year period, on an existing use basis. When a valuation is below current carrying value, the asset concerned is reviewed for impairment. Impairment losses are charged to the revaluation reserve to the extent that a previous gain has been recorded, and thereafter to the profit and loss account. Surpluses on revaluation are recognised in the revaluation reserve, except where they reverse previously charged impairment losses, in which case they are recorded in the profit and loss account.

(h) Fixed asset disposals

Profit/loss on fixed asset disposals is calculated as net sale proceeds less carrying value of the assets.

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1 Accounting Policies (continued)

(i) Deferred taxation

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

(j) Operating leases

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

(k) Discounted convertible loan note

The Company holds a discounted convertible loan note, which it received in exchange for the disposal of its business. The loan note carries an annual interest coupon of 4.90% of face value. Interest arises from the beginning of the third year after issue and is receivable annually, beginning on the third anniversary of the issue date. No interest is receivable in respect of the first two years. Where qualifying consideration arises, the interest receivable recorded in the profit and loss account for each financial period is calculated by spreading the total interest receivable over the life of the loan notes. Where qualifying consideration does not arise, interest receivable is recorded in the profit and loss account on the basis of cash received. The loan note is convertible into a mixture of preference shares and new debt on 29 September 2007 if certain conditions relating to 12 months LIBOR borrowing rates are met.

2 Operating loss

Operating loss is stated after charging:

	57 weeks ending 30 September 2006 £'000	52 weeks ending 27 August 2005 £'000
Depreciation of tangible fixed assets	**85**	116
Impairment of tangible fixed assets	**958**	384

Auditors' remuneration is borne by the ultimate parent company, The Wolverhampton & Dudley Breweries, PLC. In the prior period it was borne by Celtic Inns Limited, the Company's parent undertaking. Payments to the Company's auditors for non-audit services totalled £nil (2005: £3,000).

3 Employees and Directors

The monthly average number of employees during the period was:

	57 weeks ending 30 September 2006 Number	52 weeks ending 27 August 2005 Number
Administrative staff	**1**	2
Operations staff	**24**	49
	25	51

Staff costs consist of:

	57 weeks ending 30 September 2006 £'000	52 weeks ending 27 August 2005 £'000
Wages and salaries	**228**	469
Social security costs	**16**	31
	244	500

Directors were previously remunerated by Celtic Inns Limited, the immediate parent undertaking, with costs recharged to Porter Black (2003) Limited by way of a management recharge. With effect from 17 March 2006 the Directors received no remuneration in respect of their services to the Company.

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4 *Interest receivable and similar income*

	57 weeks ending 30 September 2006 £'000	52 weeks ending 27 August 2005 £'000
Before exceptional income		
Bank interest receivable	-	26
Financing income (note 9)	6	-
	6	26
Exceptional income		
Bank borrowings and associated interest waived on settlement (note 11)	1,000	-
	1,006	26

5 Interest payable and similar charges

	57 weeks ending 30 September 2006 £'000	52 weeks ending 27 August 2005 £'000
Before exceptional charges		
Bank interest and charges payable	205	420
Amortisation of loan issue expenses	10	19
	215	439
Exceptional charges		
Write-off of unamortised finance cost following settlement of bank borrowings (note 11)	143	-
	358	439

6 Taxation

	57 weeks ending 30 September 2006 £'000	52 weeks ending 27 August 2005 £'000
Current tax: Corporation tax on loss for the period	**86**	-
Taxation charge on loss on ordinary activities	**86**	-

The actual tax rate for the period is higher than (2005: higher than) the standard rate of corporation tax in the UK (30%). The differences are explained below:

	57 weeks ending 30 September 2006 £'000	52 weeks ending 27 August 2005 £'000
Loss on ordinary activities before tax	**(104)**	(647)
Loss before tax multiplied by the UK corporation tax rate of 30% (2005: 19%)	**(31)**	(123)
Effect of:		
Capital allowances for the period in excess of depreciation	**(12)**	29
Unrelieved tax losses (utilised)/carried forward	**(174)**	18
Rollover losses	**-**	(11)
Expenses not deductible for tax purposes	**303**	76
Capital gains	**-**	11
Current period taxation charge	**86**	-

No factors have been identified that may affect future tax charges.

The deferred tax asset not recognised in the financial statements is as follows:

	30 September 2006 £'000	27 August 2005 £'000
Capital allowances in advance of depreciation	-	35
Tax losses available	-	44
Other timing differences	-	(10)
	-	69

The deferred tax asset was not recognised due to the uncertainty of recovery in the foreseeable future.

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7 Tangible fixed assets

	Land and buildings £'000	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
Cost or valuation				
At 28 August 2005	6,161	603	79	6,843
Additions	16	13	1	30
Transfers to other Group undertakings	(4,947)	(616)	(80)	(5,643)
Deficit on revaluation	(1,230)	-	-	-
At 30 September 2006	-	-	-	-
Depreciation				
At 28 August 2005	490	46	9	545
Charge for the period	45	32	8	85
Transfers to other Group undertakings	(4)	(78)	(17)	(99)
Revaluation	(531)	-	-	(531)
At 30 September 2006	-	-	-	-
Net book value				
At 30 September 2006	-	-	-	-
At 27 August 2005	5,671	557	70	6,298

The net book value of land and buildings is split as follows:

	30 September 2006 £'000	27 August 2005 £'000
Freehold properties	-	4,185
Leasehold properties	-	1,486
	-	5,671

Valuation of properties
At 17 March 2006, independent chartered surveyors Christie & Co revalued the Company's properties on an existing use basis. The revaluation at 17 March 2006 has been reflected in the financial statements as follows:

	2006 £'000
Profit and loss account charge	
Revaluation loss – charged as an impairment	**(958)**
Revaluation reserve	
Surplus on revaluation of properties	**259**
Net decrease in shareholders' funds/fixed assets	**(699)**

If the land and buildings had not been revalued, the historical cost net book value would be £nil (2005: £5,671,000).

8 Stocks

	30 September 2006 £'000	27 August 2005 £'000
Goods held for resale	-	18

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9 Debtors

Amounts due within one year	30 September 2006 £'000	27 August 2005 £'000
Trade debtors	-	78
Other debtors	-	87
Prepayments and accrued income	-	55
	-	220

Amounts due after more than one year	30 September 2006 £'000	27 August 2005 £'000
Discounted convertible loan note - due from Group undertaking	5,748	-
Other debtors	-	63
	5,748	63

The discounted convertible loan note was issued by W&DB Estates Limited on 27 May 2006, in exchange for the disposal of the Company's business – see note 16. The loan note carries an annual interest coupon of 4.90% of the face value, which accrues from the beginning of the third year after issue and is receivable annually beginning on the third anniversary of the issue date. No interest is receivable in respect of the first two years.

The note is convertible into a mixture of preference shares and new debt on 29 September 2007 if certain conditions relating to 12 month LIBOR borrowing rates are met.

No interest had accrued at the period end.

10 **Creditors** (amounts falling due within one year)

	30 September 2006 £'000	27 August 2005 £'000
Bank overdraft (note 11)	-	338
Trade creditors	-	117
Amounts owed to Group undertakings	6,160	69
Corporation tax	86	-
Other taxation and social security	-	69
Other creditors	-	56
Accruals and deferred income	-	102
	6,246	751

11 **Creditors** (amounts falling due after more than one year)

	30 September 2006 £'000	As restated 27 August 2005 £'000
Bank loans	-	6,415
Preference shares	350	350
	350	6,765

All bank loans were settled on 22 March 2006 following the acquisition of the Company's parent undertaking by The Wolverhampton & Dudley Breweries, PLC. At that date the Company's overdraft and bank borrowings, including accrued interest but excluding unamortised loan issue expenses, stood at £7,105,000. Under the terms of the settlement a total of £6,105,000 was paid. The waived capital and interest of £1,000,000 has been treated as exceptional income (note 4).

11 Creditors (amounts falling due after more than one year) - continued

At 27 August 2005, all repayments in relation to the Company's bank loans were due after more than five years.

The loans were as follows:

	30 September 2006 £'000	27 August 2005 £'000
Bank Mezzanine Loan	-	1,618
Bank Senior Loan	-	4,950
Less: unamortised loan issue expenses	-	(153)
	-	6,415

Unamortised loan issue expenses stood at £143,000 at 22 March 2006. These were written off at the date of settlement of the borrowings and have been treated as exceptional interest costs (note 5).

Bank mezzanine loan
The bank mezzanine loan attracted interest of LIBOR plus 1.75%, which was paid as incurred. The loan was structured such that it would become repayable in full on the earliest of (i) a Sale, (ii) a Flotation, and (iii) 31 August 2014.

Bank senior loan
The bank senior loan attracted interest of LIBOR plus 1.75%, which was paid as incurred. In October 2004 the Bank of Scotland agreed to stop all capital repayments until further notice.

Preference shares of £1 each
The Company has 350,000 authorised and issued preference shares of £1 each. On a return of assets on liquidation or otherwise, the preference shares rank first in respect of subscribed share capital. Any balance will be paid equally to the holders of the equity shares. Preference share holders are entitled to receive notice of and attend general meetings, but not to vote thereat.

12 Commitments under operating leases

The Company had annual commitments under non-cancellable operating leases as set out below:

	30 September 2006		27 August 2005	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases which expire:				
In two to five years	-	-	-	3
In over five years	-	-	259	-
	-	-	259	3

13 Share capital

Authorised	30 September 2006 £	As restated 27 August 2005 £
490 'A' ordinary shares of £1 each	490	490
510 'B' ordinary shares of £1 each	510	510
	1,000	1,000

Allotted, issued and fully paid	30 September 2006 £	As restated 27 August 2005 £
490 'A' ordinary shares of £1 each	490	490
510 'B' ordinary shares of £1 each	510	510
	1,000	1,000

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13 Share capital (continued)

'A' and 'B' ordinary shares of £1 each
No dividend shall be paid without the consent of the holders of a majority in nominal value of each class of ordinary share. On a return of assets or otherwise, the shares rank second, behind the preference shares (note 11) in respect of subscribed share capital. Each share attracts one vote.

14 Reserves

	Revaluation reserve £'000	Profit and loss account £'000
At 27 August 2005	-	(918)
Revaluation of properties	259	-
Disposal of properties to other Group undertakings	(259)	259
Profit transferred to reserves in the period	-	(190)
At 30 September 2006	-	(849)

15 Reconciliation of movement in shareholders' funds

	57 weeks ending 30 September 2006 £'000	As restated 52 weeks ending 27 August 2005 £'000
Loss on ordinary activities after taxation	**(190)**	(647)
Revaluation of properties	**259**	-
Net addition/(reduction) to shareholders' funds	**69**	(647)
Opening shareholders' deficit	**(917)**	(270)
Closing shareholders' deficit	**(848)**	(917)

16 Disposal of business
On 27 May 2006 the Company ceased trading and sold its public houses to W&DB Estates Limited for £5.5m, generating no profit or loss on disposal. Stocks, debtors and creditors were also transferred to W&DB Estates Limited at their net book value.

17 Ultimate parent undertaking

The immediate parent undertaking is Celtic Inns Limited. With effect from 17 March 2006 the ultimate parent undertaking and controlling party is The Wolverhampton & Dudley Breweries, PLC, which is the parent undertaking of the smallest and largest group to consolidate the financial statements of Porter Black (2003) Limited. Copies of the Group financial statements can be obtained from the Company Secretary, PO Box 26, Park Brewery, Wolverhampton, WV1 4NY.

Prior to 17 March 2006 the ultimate parent company was Celtic Inns Holdings Limited.