Jennings Brothers plc

Financial statements

For the year ended 26 February 2005

Grant Thornton

Company No. 24795

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Financial highlights

Total turnover increased by 5.6% to £18.2m

Operating profit up by 17.1% to £4.47m

Operating margin improved from 22.1% to 24.5%

Normalised profit before tax increased by 13.2% to £3.23m

Normalised earnings per share increased by 8.9% to 20.8 pence

Chairman's statement

Recommended offer by The Wolverhampton & Dudley Breweries, PLC

Shareholders were notified on 11 April 2005 that the Boards of Jennings Brothers PLC ("Jennings") and The Wolverhampton & Dudley Breweries, PLC ("W&DB") were in discussions with a view to W&DB, subject to completing limited due diligence, making a recommended cash offer for Jennings at 430 pence per Jennings ordinary share including the final dividend ("the Offer").

Financial Review

In the year ended 26 February 2005, Jennings achieved a third successive year of double digit percentage growth in pre–tax profits, a result of the operating model adopted following the decision in November 2001 to concentrate on building a high quality business based on leased pubs and the Free Trade.

On turnover up 5.6% to £18.20m (2004: £17.24m), operating profit increased by 17.1% to £4.47m (2004: £3.81m). Operating margin improved to 24.5% (2004: 22.1%) as the business continued to benefit from increased scale and prudent control of the cost base.

Normalised profit before tax (excluding profits and losses on the sale of properties) increased by 13.2% to £3.23m (2004: £2.85m) and normalised earnings per share were 8.9% higher at 20.8p (2004: 19.1p). On a reported basis, pre–tax profit was £3.45m (2004: £2.85m), up 21.0%, and earnings per share were 22.9p (2004: 19.1p), up 19.9%. Both normalised and reported bases are stated after an unchanged goodwill amortisation charge of £0.11m.

Year end net assets totalled £29.45m (2004: £27.25m), representing a net asset value per ordinary share of 277p (2004: 256p), up 8.2%. Net debt at the year end was £21.18m (2004: £19.83m), with gearing at 72.1% (2004: 72.9%). The interest charge increased to £1.24m (2004: £0.96m) and was covered a comfortable 3.6x (2004: 4.0x) by operating profit.

Dividends

In anticipation of agreeing terms for a recommended offer with W&DB as mentioned above, the Board is not proposing a final dividend per ordinary share (2004: 4.3p). Should an offer not be forthcoming or should any such offer fail to become unconditional, the Board would envisage proposing an appropriate special interim dividend in due course.

Business Review

Jennings Pubs

Jennings Pubs is the Group's principal business, contributing 67% of Group turnover. At the year end, the estate comprised 128 leased and tenanted pubs in Northern England, of which 43% are located in Cumbria, 24% in other parts of the North West, and 33% in the North East and Yorkshire. Over 50% have a significant food offering and 20% offer accommodation. 95% are owned freehold by the Group.

Turnover (from rents, the sale of drink and amusement machine income) increased by 7.8% to £12.17m (2004: £11.29m). Operating profit (before central operating costs) increased by 13.2% to £6.10m (2004: £5.39m), representing a margin of 50.1% (2004: 47.7%). Approximately half the operating profit (before central operating costs) derived from rental income, representing a quality and stable income stream. The average profit per pub (pre–overheads) increased by 9.4%, demonstrating further improvement in the underlying quality of the estate.

On a like–for–like basis, based on 110 pubs which traded throughout the comparative period, turnover was up by 3.1% and operating income by 6.9%.

During the year, seven pubs were acquired at a total cost, net of disposal of surplus properties attached to acquired pubs, of £3.80m. Five pubs of modest quality were sold, generating proceeds of £1.42m and a profit of £0.22m. The acquisition programme was smaller than had been intended, because of competition for quality outlets. However, since the year end, one more pub has been acquired and contracts have been exchanged for two pubs. In addition, terms for the acquisition of a further three pubs have been agreed.

Ten pub development projects were completed last year, with associated capital expenditure of £1.0m. These projects included general refurbishments, the extension of trading areas, and the provision of improved catering facilities. All development projects are undertaken in partnership with the lessee, who shares in the capital outlay.

Of the Group's pubs, 91% are now on Jennings leases with an average period of 15 years, which permit the Group and the lessee to share in the value jointly created. Levels of licensee turnover in our estate remain at a low level and we had no vacancies for lessees at the year end.

The Group has made good progress towards compliance with the Licensing Act 2003 and we expect to have completed all licence applications well ahead of the August 2005 deadline. This has been achieved despite delays from the authorities in issuing the final documentation until February 2005. Whilst the implementation of the new licensing regulations is proving a costly exercise for many pub operators, we have been able to maintain costs at a modest level by utilising our in–house legal department and by providing support and advice to our lessee partners we will facilitate their compliance within the timescale.

Jennings Drinks

Turnover increased by 1.3% (first half year: –1.6%; second half year: +4.9%) to £6.03m (2004: £5.95m), generating an operating profit (before central operating costs) of £1.00m (2004: £0.93m).

The Direct Sales channel (sales direct to individual outlets predominantly located in Cumbria, and therefore affected by a two–thirds increase in Spring and Summer rainfall) decreased by 4.4% to £3.48m (2004: £3.64m), representing 58% of Jennings Drinks turnover.

The National On–Trade channel (sales to other brewers, pubcos and wholesalers) increased turnover by 5.4% to £1.75m (2004: £1.66m), representing 29% of Jennings Drinks turnover.

In the National Off–Trade channel (sales to the take–home market including supermarkets and off licences), following a 20.3% turnover increase in 2004, turnover increased by 23.1% to £0.80m (2004: £0.65m).

During the year, the brewery produced almost 9 million pints of beer and sales of Jennings' lead brand, Cumberland Ale, increased by 4% to 4 million pints, representing 46% of total brewery production output.

On 1 November 2004, Jennings launched, on time and in line with budget, its in–house distribution operation to its own pubs and its Direct Sales channel. The service provides a competitive edge for the Jennings Beer business, with a delivery performance in excess of 98% being consistently achieved which is already helping us to win new business in the Free Trade. Operating costs currently remain in–line with the previous third–party contract operation.

People

In September 2004, John Sands was appointed a non–executive Director. John was at Pubmaster from 1991 to 2004, as Managing Director (1991–96), as Chief Executive Officer (1996–2002), and as Executive Chairman (March 2002–January 2004). In this capacity, he was responsible for the management of an estate of 3,100 leased and tenanted pubs.

In February 2005, Geoff Morrey, was appointed Director of Sales and Marketing and a member of the Executive Committee, succeeding Des Gallagher. Geoff has extensive free trade sales experience in the brewing industry, having previously worked for Guinness and The Wolverhampton & Dudley Breweries, PLC, and was most recently Sales Director of Robert Cain, the regional brewer located in Liverpool. Geoff is focussing on the implementation of the Group's growth strategy for the Jennings Drinks business.

The progress achieved in the year reflects the enthusiasm and commitment of the Group's 98 staff as well as that of the Group's trading partners within Jennings Pubs and the support of its many Free Trade customers. On behalf of the Board, I extend our thanks for everyone's considerable effort this year.

Three year review

As I remarked last year, Jennings has successfully implemented its strategy to concentrate on growing Jennings Pubs and Jennings Drinks. Our results over the past three years demonstrate that the strategy has delivered against our objectives:

Normalised pre–tax profits are now 127% higher than in 2001–02 and over 50% higher than in 2000 (pre the foot and mouth epidemic);

Borrowings have been reduced by around £8 million since the introduction of the current strategy;

The business is of a higher quality. Over three years, the average profit per pub has increased by 23%, with around a third of our current estate having been acquired since 2001;

In the Jennings Drinks business, Free Trade sales volumes are 24% higher, with profits up by 37%, and we have successfully grown sales of our lead Cumberland Ale brand by 50%;

Jennings Pubs profits are 15% higher than three years ago despite our current estate having 20% fewer pubs;

The business model has been simplified and efficiencies significantly improved. Total operating and overhead costs for the Group remain 5% below 2001–02 levels and overall operating margin has improved from 13.7% to 24.5%.

These results reinforce our decision to focus on the operation of leased pubs and the Drinks business, which has created substantial additional value for shareholders.

John Rudgard
Chairman

27 April 2005

Report of the Directors

The Directors submit their report and financial statements for the year ended 26 February 2005. The comparative period is the year ended 28 February 2004.

Results
The profit for the year was £2,431,000 (2004: £2,029,000).

Dividends
The Directors recommend no final dividend, which together with the interim dividend of 2.5p per share makes a total dividend of 2.5p per share (2004: 6.7p), leaving £2,163,000 (2004: £1,315,000) to be transferred to reserves.

Principal activities and review of business
The principal activities of the business are the brewing and selling of quality ales and the operation of licensed premises under lease or tenanted arrangements.

The Chairman's Statement on pages 4 to 7 includes further information about the Group's principal activities, the business and financial performance during the year.

Post balance sheet event
On 11 April 2005 shareholders were notified that the Boards of Jennings Brothers plc ("Jennings") and The Wolverhampton & Dudley Breweries, PLC ("W&DB") were in discussions with a view to W&DB making a recommended cash offer for Jennings at 430 pence per Jennings ordinary share including a final dividend.

Political and charitable contributions
No political contributions were made during the year (2004: £Nil). The Group contributed £893 (2004: £2,142) to various charities.

Directors and their interests

The Directors served throughout the year, apart from D M Gallagher who resigned on 30 November 2004 and J R Sands who was appointed on 1 September 2004. Their interests in the share capital of the Company at the balance sheet date were as follows:

		Number 26 February 2005	Number 28 February 2004
J K Rudgard	Ordinary shares	**22,800**	22,800
	Preference shares	**1,514**	1,514
M D Clayton	Ordinary shares	**18,780**	18,780
	Preference shares	**250**	250
D R Stevenson	Ordinary shares	**500**	500
	Preference shares	**250**	250
J Houghton	Ordinary shares	**6,000**	6,000
	Preference shares	**250**	250
R F Catto	Ordinary shares	**8,379**	8,379
	Preference shares	**250**	250
M A Wright	Ordinary shares	**2,000**	2,000
	Preference shares	**250**	250
J R Sands	Ordinary shares	**1,000**	–
	Preference shares	**250**	–

Certain Directors are also Directors of Jennings Brothers ESOP Trust Limited and Jennings Brothers Profit Sharing Scheme Trust Limited which hold 20,337 (2004: 31,617) and Nil (2004: Nil) ordinary shares in the Company respectively for the purposes of the employee share schemes approved by shareholders in 1993.

Employees

The Group aims for fair reward and recognition for all employees.

The Group has continued its practice of keeping employees informed of matters affecting them as employees and the financial and economic factors affecting the performance of the group.

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities.

In the event of employees becoming disabled, every effort is given to retrain them in order that their employment with the group may continue.

It is the policy of the group that training, career development and promotion opportunities should be available to all employees.

Environment/Health & Safety

The process of brewing beer involves the use of natural products, primarily malted barley, hops, yeast and water. Surplus materials from the brewing process e.g. spent grains are recycled into cattle feed. Water is conserved at every opportunity and energy used within the brewing process is recycled as much as possible. The Group is committed to the Climate Change Levy and is complying with this as part of the brewing sector agreement with the British Beer and Pub Association.

The Group is working with its lessees towards implementing the forthcoming regulations in respect of no–smoking in public places. Jennings encourages it's lessees to consider its customers and employees with regard to smoking and supports the industry position of self regulation along with steps to provide protection for members of staff.

The Group's Health & Safety Committee meets four times per annum, and policy and progress regarding health and safety issues are discussed regularly by the Board.

Policy on financial instruments

Other than the proceeds from the issue of new shares and the reinvestment of retained profits, the Group's activities are financed by a combination of cash at bank, overdrafts, bank borrowings, finance leases and other debtors and creditors and existing shares.

The Group has not established a formal policy on the use of financial instruments but the Board assesses opportunities on a case by case basis as they arise.

Supplier payment policy

The Group's policy, in relation to all its suppliers, is to settle the terms of payment when agreeing the terms of the transaction and to abide by those terms provided that it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The Group does not follow any specific code or statement of payment practice. The number of days' billings from suppliers outstanding at 26 February 2005 was 27 days (2004: 29 days).

Corporate governance

The Board has appointed an Audit Committee and a Remuneration Committee with formally delegated duties, responsibilities and terms of reference. Both committees are chaired by independent Non–Executive Directors, and not by the Company Chairman. The Audit Committee, which comprises the Non–Executive Directors and the Finance Director, meets on a quarterly basis to consider all aspects of the Group's systems of internal control. In particular the Committee considers all reports from the external auditors and has the authority to review specific matters relating to internal control on an ad hoc basis.

The Committee has unrestricted access to the Company's auditors and ensures that the auditor independence has not been compromised.

Transition to International Financial Reporting Standards ("IFRS")

The Board has reconsidered the Group's transition towards full adoption of IFRS in the light of the concessions granted by the London Stock Exchange which permits AIM companies to delay the introduction of IFRS financial statements until accounting periods commencing on or after 1 January 2007. The Group therefore is not currently intending to adopt IFRS for its year ending 25 February 2006. A transition plan is currently being developed which will cover two phases:

Phase One – Preliminary assessment: this will involve the initial identification of GAAP differences between current accounting standards and Group accounting policies, and those applicable under IFRS.

Phase Two – Detailed impact study and implementation: this phase is expected to commence during 2005 and includes the quantification of the impact of the change to IFRS and the review and development of a separate IFRS financial reporting system.

Going concern

Having made reasonable enquiries, the Directors are of the opinion that the Group has adequate resources to continue in operational existence for the foreseeable future and hence these financial statements have been prepared on a going concern basis.

Major shareholdings

At 27 April 2005 the following shareholding in 3% or more of the ordinary share capital of the Company, other than the Directors' holdings shown above, has been notified to the Company:

Shareholder	% of total
Frederic Robinson Limited (including its pension fund)	25.1%

On 11 April 2005, the Company received notification from The Wolverhampton & Dudley Breweries, PLC ("W&DB") that they were interested in 2,565,059 ordinary shares of 25p each in the Company, representing 24.08% of the Company's issued ordinary shares.

Of the above total interest, 2,555,059 shares are registered to Frederic Robinson Limited, and W&DB is interested in such shares by virtue of Section 208(5) of the Companies Act 1985.

On 22 April 2005, the Company received notification from W&DB that they were interested in 245,981 ordinary shares of 25p each in the Company, representing 2.31% of the Company's issued ordinary shares.

Of the above total interest, 245,981 shares are registered to Scottish & Newcastle plc, and W&DB is interested in such shares by virtue of Section 208(5) of the Companies Act 1985.

Auditors

On 1 July 2004, the Grant Thornton partnership transferred its business to a limited liability partnership, Grant Thornton UK LLP. Under Section 26(5) of the Companies Act 1989, the directors consented to extend the audit appointment to Grant Thornton UK LLP from 1 July 2004.

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with Section 385 of the Companies Act 1985.

Signed on behalf of the Board

Mark Hodgson
Company Secretary

27 April 2005

Statement of Directors' responsibilities

Company law in the United Kingdom 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 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 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 Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and Group and to prevent and detect fraud and other irregularities.

The maintenance and integrity of the web site 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 information contained in the financial statements since they were initially presented on the web site.

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

Remuneration report

General Information

The Remuneration Committee is made up solely of Non–Executive Directors. None of them has any personal financial interest in the matters to be decided (other than as shareholders), potential conflicts of interest arising from cross–directorships nor any day–to–day involvement in running the business. The names of the Directors who have served on the Remuneration Committee during the year are as follows:

Ralph F. Catto (Remuneration Committee Chairman)
Malcolm A. Wright (Deputy Remuneration Committee Chairman)
John K. Rudgard
John R. Sands

The Committee's role is to set the remuneration policy for the Executive Directors and the members of the Group's Executive Group. Specifically, the Remuneration Committee agrees the principal terms of their service contracts, including salaries and other benefits, such as bonuses and share options, and other terms and conditions of employment.

The Committee met four times during the 2004–05 financial year, with all committee members attending all meetings possible (Mr Sands attended the two meetings in the year that occurred after his appointment to the Board). The Managing Director was invited to attend meetings when appropriate. He was not, and never is, present when matters affecting his own remuneration arrangements are considered.

The Remuneration Committee also received advice from Sheila Dowton, the Group's Director of Human Resources, that materially assists the Committee in their consideration of matters relating to the remuneration of Executive Group members.

General Policy

The Committee's executive remuneration policy is designed to attract, retain and motivate individuals to ensure the success of the Group relative to other UK businesses of similar size and complexity. Our external comparisons look at comparable roles in similar organisations, in terms of size, market sector, and business complexity. Remuneration packages are designed to reward Directors and Executive Group members fairly for their contributions whilst remaining within the range of benefits offered by similar companies in the sector. The Remuneration Committee seeks to structure total benefits packages which align the interests of shareholders and senior executives. Executive remuneration will continue to be the subject of regular review in accordance with this policy in the next and following financial years.

Bonus Scheme

The Committee considers that it is in the interests of shareholders that executive remuneration packages should include an incentive element that is related to the performance of the Group. Accordingly, Executive Directors and members of the Executive Group participate in an executive bonus scheme, under which cash bonuses may be earned if profit targets are exceeded, increasing in size relative to the extent of over–performance. The profit before tax figure for the target is calculated after taking any bonus payments into account. In the financial year 2004–05, accrued annual bonuses in respect of 2005 amounted to £50,000 (2004: Nil).

Share Options Schemes

In addition, two Executive Directors participate in Inland Revenue approved and unapproved executive share option schemes. Executive Directors are also eligible to participate in Save As You Earn Share Option Schemes on the same terms as other employees.

The basis on which executive share options may be exercised is set out on pages 15 and 16 of the financial statements.

Policy on Service Contracts

In the financial year 2003–04 the Committee reviewed its policy on service contracts. The result is that the Company's policy on the duration of Directors' service contracts is:

- Executive Directors should have rolling service contracts terminable on no more than one year's notice served by the Company or the Director. The service contract in respect of M D Clayton has a two year notice period to the contract having been acquired prior to the introduction of the above policy; and

- Non–Executive Directors are appointed for fixed terms of 3 years, renewable on the agreement of both the Company and the Director. The Company considers that Non–Executive Directors should normally be expected to serve two 3 year terms, although there may be occasions where value will be added by a Non–Executive Director serving for longer. Should a Non–Executive Director serve for more than 9 years, the Committee would expect that Director to submit himself for annual re–election.

The policy on termination payments is that the Company does not normally make payments beyond its contractual obligations, including any payment in respect of notice to which a Director is entitled. In exceptional circumstances, an additional ex–gratia payment may be considered based on factors including the Director's past contribution and the circumstances of the Director's departure. No service contracts exist which include a liquidated damages clause, and it is not the Committee's policy to agree to any such terms.

Directors' Service Contracts

Details of the Directors' service contracts are as follows:

Name	Commencement of Service	Unexpired Term	Notice Period
MD Clayton	1.2.1999	2 years	2 years
J Houghton	7.12.2000	12 months	12 months
DR Stevenson	11.8.2003	12 months	12 months
JK Rudgard	1.5.1998	Expires 30.4.2007	N/A
RF Catto	28.11.2000	Expires 27.11.2006	N/A
MA Wright	7.2.2001	Expires 6.8.2005	N/A
JR Sands	1.9.2004	Expires 31.8.2007	N/A

Directors' Emoluments and Compensation General Disclosure

The following table sets out details of the emoluments and compensation during the year by each Director.

	Salary, fees and bonus £000	Benefits in kind £000	Total 2005 £000	Total 2004 £000
JK Rudgard	34	–	34	30
MD Clayton	129	13	142	113
J Houghton	101	12	113	87
DR Stevenson	92	10	102	45
DM Gallagher	91	7	98	68
RF Catto	19	–	19	18
MA Wright	19	–	19	18
JR Sands	10	–	10	–
	495	42	537	379

Annual performance related bonuses are linked to the attainment of predetermined financial targets and objectives. Accrued annual bonuses and compensation for loss of office in respect of 2005 amounted to £34,000 (2004: £Nil) and £30,000 (2004: £Nil) respectively.

Directors' share options

The following table sets out details of the share options held by or granted to each Director during the year:

	No. of shares	Date of grant	Exercise price
MD Clayton	48,384	01/12/99	195p
	57,803	10/12/01	173p
J Houghton	57,803	10/12/01	173p

Summary of Performance Conditions attaching to share options

The executive share options granted to Mike Clayton on 1 December 1999 may be exercised between three and ten years from the date of grant only if, over any three consecutive financial years of the Company, beginning no earlier than the financial year during which the options were granted, the percentage growth in earnings per share ("EPS") exceeds the growth in the retail prices index ("RPI") over the same period by at least nine per cent.

The executive share options granted on 10 December 2001 (and any options to be granted in the future) ("Later Options") may be exercised between three and ten years from the date of grant only if, over any three consecutive financial years of the Company, beginning no earlier than the financial year during which the option is granted, the percentage growth in EPS exceeds the growth in RPI over the same period by at least three per cent per annum. The percentage of the overall grant of Later Options that can be exercised will be determined by the level of increase in EPS according to the following formula:

Min. Growth in EPS above RPI Over the previous 3 years (p.a.)	% of Options granted that may be exercised
3%	20%
4%	40%
5%	60%
6%	80%
7%	100%

The Remuneration Committee determines whether the performance condition has been met using the EPS information contained in the Company's annual report & financial statements, after taking the advice of the Audit Committee as to whether any adjustments are required to ensure consistency in accordance with the terms of the performance condition. This procedure is followed in order to ensure that no Director is in a position to rule on whether the performance conditions applying to his own options have been satisfied.

The performance condition comparing increases in EPS against inflation was chosen in order to ensure that options would become exercisable only against the background of a sustained real increase in the financial performance of the Company.

Save as you Earn Share Options

Under this scheme on 18 July 2000 Mike Clayton was granted an option over 4,580 ordinary shares in the Company, at an option price of £2.115, under a three–year savings plan. Mr Clayton exercised this option on 24 February 2004 obtaining a gain of £1,031, which has been included in the benefits in kind figure referred to above.

The following table sets out details of the share options held by or granted to each Director during the year:

	No. of shares	Start date	Contributions	Term	Option price
MD Clayton	4,326	1 February 2005	£250 per month	3 years	2.190
J Houghton	3,461	1 February 2005	£200 per month	3 years	2.190
D Stevenson	7,545	1 February 2005	£250 per month	5 years	2.190

The market price of ordinary shares in the company as at 26 February 2005 was £3.235. The highest and lowest market prices of ordinary shares during the financial year were £3.235 and £2.350 respectively.

Long-term incentives

A long term incentive plan (LTIP) was introduced following its approval by shareholders at the Annual General Meeting on 25 June 2004. The following awards were allocated to directors during the year:

	No. of shares	Date of allocation	Price
MD Clayton	27,928	28.7.2004	£2.465
DR. Stevenson	19,959	28.7.2004	£2.465
J Houghton	22,016	28.7.2004	£2.465
DM Gallagher	19,862	28.7.2004	£2.465

On 30 November 2004 D M Gallagher resigned from the board, at which time the above options lapsed.

Awards under the LTIP will normally vest on or shortly after the third anniversary of the award date. The proportion of an award that vests will be subject to the attainment of certain performance conditions relating to the performance of the Group over the period to which the awards relate. The performance criteria upon which the above awards were made is the total shareholder return of the Group against its comparator group measured over a three year period, as set out in the circular to shareholders issued by the company on 26 May 2004. The level of awards is also in line with the levels set out in the circular.

Pensions

Four Directors of the Company earned pension benefits in the Jennings Brothers plc (1998) Retirement and Death Benefits Scheme during the year. This is a money purchase scheme. There have been no changes in the terms of Directors' pension entitlements during the year. There are no unfunded pension promises or similar arrangements for directors.

The Company has paid the following contributions to the Jennings Brothers plc (1998) Retirement and Death Benefits Scheme during this financial year and last:

	2005	2004
MD Clayton	£16,016	£15,895
J Houghton	£12,437	£11,846
DR Stevenson	£11,275	£2,750
DM Gallagher	£6,885	£5,088

These contributions are not included within the benefits in kind referred to above.

Non–Executive Directors

The remuneration of the Non–Executive Directors is determined by the Executive Directors and the Chairman within the limits set out in the Company's Articles of Association. Non–Executive Directors cannot participate in any of the Company's share option schemes, nor will they participate in the proposed long term incentive plan, should its terms be approved by the Company's shareholders. Non–Executive Directors do not have a contract of service and are not eligible to join the Company's pension schemes.

Signed on behalf of the Board

Mark Hodgson
Company Secretary

27 April 2005

Directors and Advisers

J.K. Rudgard
Non-Executive Chairman
John has vast experience of the drinks industry having completed 33 years service with H.P. Bulmers, including 10 years as Chief Executive. He was also Chairman of Tom Cobleigh PLC during its successful flotation and eventual sale.

M.D. Clayton
Managing Director
Mike has over 30 years experience within the licensed trade working with John Smiths, the Boddington Group and, prior to joining Jennings, he was Operations Director of Greenalls Inn Partnership. He has been actively involved in the many changes within the industry and is currently Deputy Chairman of the BII.

D.R. Stevenson ACMA
Finance Director
David worked for 17 years in the brewing and retailing businesses of Allied Domecq, including as Finance Director of Ansells and of Allied Domecq Leisure. Previously Finance Director of Springwood Plc.

J. Houghton ACMA
Pub Operations Director
Having joined Whitbread Plc in 1972, John enjoyed a number of finance roles within the company's brewing and pub businesses. During most of the 1990s he was Finance and Systems Director in Whitbread Pub Partnerships, prior to heading up the finance team in Whitbread Inns North East.

J.R. Sands
Non-Executive Director
John has extensive experience within the brewing and licensed retailing industry at a senior level. In particular, he was at Pubmaster Limited from 1991 to 2004 as Managing Director (1991 – 2002) and as Executive Chairman (March 2002 – January 2004). In this capacity, he was responsible for an estate of over 3,100 leased and tenanted pubs.

R.F. Catto
Non-Executive Director
Ralph worked for over 10 years in stockbroking in the City of London during which time he also served as a member of the Corporate Finance Committee of the Institute of Chartered Accountants of England and Wales. He is now Chief Executive of Scout Solutions operating in the residential property and software market.

M.A. Wright
Non-Executive Director
During his 25 years in the brewing and pub industry, Malcolm has held a number of senior finance, marketing, commercial and Board level appointments with Allied Domecq. Latterly, he headed up the International franchise businesses for Baskin Robins and Dunkin Donuts.

Secretary and Registered Office:

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Grant Thornton

Report of the independent auditors to the members of Jennings Brothers plc

We have audited the financial statements of Jennings Brothers plc for the year ended 26 February 2005 which comprise the consolidated profit and loss account, the consolidated and Company balance sheets, the consolidated statement of total recognised gains and losses, the note of consolidated historical cost profits and losses, the consolidated cash flow statement and notes 1 to 29. These financial statements have been prepared under the accounting policies set out therein.

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 opinions we have formed.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with United Kingdom law and 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 Group 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 Chairman's Statement, Directors' report, Statement of Directors' responsibilities and Remuneration report. 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 United Kingdom 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 circumstances of the Company and of the Group, consistently applied and adequately disclosed.

Grant Thornton

Report of the independent auditors to the members of Jennings Brothers plc

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 affairs of the Company and the Group at 26 February 2005 and of the profit of the Group for the year then ended, and the financial statements have been properly prepared in accordance with the Companies Act 1985.

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
MANCHESTER

27 APRIL 2005

Consolidated profit and loss account

	Note	2005 £000	2004 £000
Turnover – continuing	2	**18,201**	17,240
Cost of sales		**(11,211)**	(11,035)
Gross profit		**6,990**	6,205
Operating costs	2	**(2,525)**	(2,392)
Operating profit – continuing	2,4	**4,465**	3,813
Profit/(loss) on disposal of properties		**220**	(2)
Profit on ordinary activities before interest		**4,685**	3,811
Net interest payable and similar charges	5	**(1,240)**	(963)
Profit on ordinary activities before taxation		**3,445**	2,848
Taxation	8	**(1,014)**	(819)
Profit for the year		**2,431**	2,029
Dividends on equity and non–equity shares	10	**(268)**	(714)
Retained profit for the year	20	**2,163**	1,315
Earnings per share			
– Basic	3	**22.9p**	19.1p
– Diluted		**22.4p**	19.1p
– Adjusted		**20.8p**	19.1p

The accompanying notes and accounting policies form part of these financial statements.

Other primary statements

Consolidated statement of total recognised gains and losses

	2005 £000	2004 £000
Profit for the year and total recognised gains and losses for the year	**2,163**	1,315
Prior year adjustment (note 22)	**(100)**	
Total gains recognised since last financial statements	**2,063**	

Note of consolidated historical cost profits and losses

	2005 £000	2004 £000
Reported profit on ordinary activities before taxation	**3,445**	2,848
Realisation of property revaluation (losses)/gains of previous years	**(93)**	9
Difference between historical cost depreciation charge and depreciation charge based on revalued amounts	**19**	25
Historical cost profit on ordinary activities before taxation	**3,371**	2,882
Historical cost profit for the period retained after taxation and dividends	**2,089**	1,349

Consolidated balance sheet

	Note	2005 £000	Restated 2004 £000
Fixed assets			
Intangible assets	11	**1,638**	1,751
Tangible assets	12	**48,694**	44,655
Investments and loans	13	**1,847**	2,004
		52,179	48,410
Current assets			
Stocks	14	**479**	512
Debtors	15	**2,018**	1,976
Cash at bank and in hand		**524**	95
		3,021	2,583
Creditors: amounts falling due within one year	16	**(6,804)**	(4,845)
Net current liabilities		**(3,783)**	(2,262)
Total assets less current liabilities		**48,396**	46,148
Creditors: amounts falling due after more than one year	16	**(18,092)**	(18,276)
Provisions for liabilities and charges	18	**(857)**	(624)
		29,447	27,248
Capital and reserves			
Called up share capital	19	**2,714**	2,714
Share premium account	20	**5,469**	5,469
Revaluation reserve	20	**6,820**	6,746
Other reserves	20	**7,924**	7,888
Profit and loss account	20	**6,520**	4,431
Shareholders' funds (including non–equity interests)	21	**29,447**	27,248

These financial statements were approved by the Board of Directors on 27 April 2005 and signed on its behalf by:

M. D. Clayton

M D Clayton, Director

D R Stevenson

D R Stevenson, Director

Company balance sheet

	Note	2005 £000	Restated 2004 £000
Fixed assets			
Intangible assets	11	**1,638**	1,751
Tangible assets	12	**47,957**	44,655
Investments and loans	13	**2,389**	2,004
		51,984	48,410
Current assets			
Stocks	14	**479**	512
Debtors	15	**2,333**	1,976
Cash at bank and in hand		**12**	95
		2,824	2,583
Creditors: amounts falling due within one year	16	**(6,789)**	(4,845)
Net current liabilities		**(3,965)**	(2,262)
Total assets less current liabilities		**48,019**	46,148
Creditors: amounts falling due after more than one year	16	**(18,092)**	(18,276)
Provisions for liabilities and charges	18	**(854)**	(624)
		29,073	27,248
Capital and reserves			
Called up share capital	19	**2,714**	2,714
Share premium account	20	**5,469**	5,469
Revaluation reserve	20	**6,820**	6,746
Other reserves	20	**7,924**	7,888
Profit and loss account	20	**6,146**	4,431
Shareholders' funds (including non–equity interests)	21	**29,073**	27,248

These financial statements were approved by the Board of Directors on 27 April 2005 and signed on its behalf by :

M.D. Clayton

M D Clayton, Director

D R Stevenson

D R Stevenson, Director

Consolidated cash flow statement

	Note	£000	2005 £000	£000	Restated 2004 £000
Net cash inflow from operating activities before exceptional items	24(i)		**5,158**		4,555
Restructuring and other exceptional costs	24(i)		**–**		(135)
Net cash inflow from operating activities			**5,158**		4,420
Returns on investments and servicing of finance					
Interest received		**33**		32	
Interest paid		**(1,162)**		(1,116)	
Preference dividend paid	10	**(2)**		(2)	
Net cash outflow from returns on investments and servicing of finance			**(1,131)**		(1,086)
Taxation					
Corporation tax paid			**(632)**		(793)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		**(5,240)**		(5,943)	
Sale of tangible fixed assets		**2,131**		1,643	
Trade loans advanced	13	**(450)**		(482)	
Repayment of trade loans	13	**696**		620	
Net cash outflow from capital expenditure and financial investment			**(2,863)**		(4,162)
Acquisitions					
Purchase of subsidiary undertaking		**(877)**		–	
Net cash acquired with subsidiary undertaking		**121**		–	
Net cash outflow from acquisitions	25		**(756)**		–
Equity dividends paid			**(723)**		(691)
Cash outflow before financing			**(947)**		(2,312)
Financing					
New bank loans	24(ii)	**2,150**		4,408	
Repayment of bank loans	24(ii)	**(2,409)**		(1,138)	
Capital element of finance leases	24(ii)	**(12)**		–	
Employee Share Ownership Plan – sale of shares		**22**		11	
Net cash (outflow)/inflow from financing			**(249)**		3,281
(Decrease)/increase in cash in the year	24(iii)		**(1,196)**		969

The accompanying notes and accounting policies form part of these financial statements.

Notes to the financial statements

1 Accounting policies

Basis of preparation
The financial statements have been prepared under the historical cost accounting rules modified to include the revaluation of certain land and buildings and in accordance with approved accounting standards.

The principal accounting policies of the Group have remained unchanged from the previous year apart from the adoption of "UITF 38 – Accounting for ESOP Trusts" requiring the restatement of comparative figures (see note 22) and are set out below.

Basis of consolidation
1) The Group financial statements consolidate those of the Company and its subsidiary undertakings for the 52 weeks ended 26 February 2005 (52 weeks ended 28 February 2004). Acquisitions of subsidiaries are dealt with by the acquisition method of accounting. Under this method, the results of subsidiary undertakings acquired or disposed of during the period are included in the consolidated profit and loss account from the effective date of acquisition or up to the date of disposal.
2) Goodwill is capitalised and written off to the profit and loss account over the useful economic life of each investment but no more than 20 years in accordance with FRS 10.
3) In accordance with Section 230(4) of the Companies Act 1985, the Company is exempt from the requirements to present its own profit and loss account.

Turnover
Turnover is the total amount receivable by the Group for goods supplied and services provided, excluding VAT. Revenue from beer sales is recognised on delivery, and rental and other income over the period to which it relates.

Tangible fixed assets and depreciation
Depreciation is provided on tangible fixed assets, excluding land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over expected useful economic lives as follows:

Plant and machinery	– 10 to 20 years
Casks, kegs, keg fittings and equipment	– 10 years
Fixtures, fittings and computers	– 4 to 10 years
Motor vehicles	– 3 to 6 years
Freehold and long leasehold buildings	– 50 years
Short leasehold property (under 50 years)	– the lease term

The Group has taken advantage of the transitional provisions of FRS 15 "Tangible Fixed Assets", therefore assets revalued prior to the adoption of FRS 15 will not be restated to historical cost and the valuations will not be updated in the future.

Disposal of properties
Profits or losses on the disposal of properties reflect the difference between net sale proceeds and book value. Valuation surpluses/deficits realised on disposal are transferred from revaluation reserve to profit and loss account by direct movement on reserves.

Leases

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their estimated useful economic lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease. All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

Stocks

Stocks are stated at the lower of cost and net realisable value. Where appropriate, cost includes a proportion of attributable production and transport overheads and duty.

Employee share ownership trusts

Shares acquired in Jennings Brothers plc by subsidiary undertakings, in trust for employee share ownership, are included where appropriate, together with any related borrowings, in the consolidated Balance Sheet. Costs of administering such schemes are charged in the consolidated Profit and Loss Account in the year in which they are incurred. The shares in the company are included at cost to the ESOP and deducted from shareholders' funds.

Pension scheme

The Company operates two pension schemes. The defined benefit scheme administered by trustees, provides benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company. Contributions are charged to the profit and loss account so as to spread the cost of pensions over employees working lives with the Company. The contributions are determined by a qualified actuary on the basis of valuations using the projected unit method.

For the defined contribution scheme, the pension cost charge represents contributions payable by the Company in the year.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred or accelerated because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised on all timing differences where the transactions or events that give the Group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantially enacted by the balance sheet date.

Cash

Cash, for the purposes of the consolidated Cash Flow Statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Liquid resources

Liquid resources consist of short term bank deposits which may be withdrawn only at more than 24 hours notice.

Government grants

Government grants relating to tangible fixed assets are treated as deferred income and released to the profit and loss account over the expected useful economic life of the assets concerned.

2 Turnover and operating profit

Turnover comprises sales to external customers, rents and other trading income and is shown inclusive of excise duty but exclusive of value added tax. All turnover derives from the United Kingdom.

Segmental information

	2005	2004
	£000	£000
Turnover:		
Pubs	**12,169**	11,288
Free trade	**6,032**	5,952
	18,201	17,240
Operating profit:		
Pubs	**6,099**	5,387
Free trade	**1,004**	931
Goodwill amortisation	**(113)**	(113)
Gross profit	**6,990**	6,205
Central services – operating costs	**(2,525)**	(2,392)
	4,465	3,813

Turnover and operating profit on acquisitions for the period is not significant.

3 Earnings per share

Earnings per share have been calculated on the earnings for the year (after deducing preference dividends) divided by the weighted average number of ordinary shares in issue and ranking for dividend, being 10,627,383 (2004: 10,618,250). The 20,337 (2004: 31,617) shares held in the ESOP Trust have been excluded from the calculation.

Diluted earnings per share of 22.4p have been calculated using the same weighted average number of shares as the basic calculation, as adjusted for share options of 234,697 shares (2004: Nil).

Adjusted EPS has been presented in addition to the earnings per share as defined in FRS 14 since, in the opinion of the Directors, this provides shareholders with a more meaningful representation of the earnings derived from the Group's business.

The effects of the adjustments required are as follows:

		2005			2004	
	Earnings £000	**Weighted average number of shares**	**Earnings per share**	Earnings £000	Weighted average number of shares	Earnings per share
Basic earnings per share	**2,429**	**10,627,383**	**22.9p**	2,027	10,618,250	19.1p
Property disposals	**(220)**	**–**	**(2.1)p**	2	–	–
Adjusted earnings per share	**2,209**	**10,627,383**	**20.8p**	2,029	10,618,250	19.1p

4 Operating profit

Operating profit is stated after charging/(crediting):

		2005 £000	2004 £000
Depreciation		**678**	645
(Profit)/loss on sale of fixed assets excluding properties		**(9)**	2
Goodwill amortisation		**113**	113
Vehicle and equipment hire	: operating leases	**39**	22
	: other	**3**	2
Land and buildings	: operating leases	**157**	170
Auditors' remuneration		**31**	33
Non audit services – taxation compliance		**4**	6
Amortisation of government grants		**(1)**	(1)

5 Net interest payable and similar charges

	2005 £000	2004 £000
Interest payable:		
On bank loans, overdrafts and loans wholly repayable within five years	**77**	49
Other loans	**1,196**	946
	1,273	995
Less: interest receivable	**(33)**	(32)
	1,240	963

6 Employees

The average number of employees of the Group (including Directors) was made up as follows:

	2005 Number	2004 Number
Full time	**75**	67
Part time	**9**	11
	84	78

Staff costs (including Directors) amounted to:

	2005 £000	2004 £000
Wages and salaries	**2,046**	1,755
Social security costs	**245**	193
Other pension costs (note 23)	**303**	292
	2,594	2,240

7 Directors' remuneration

Details of Directors' remuneration for the year and share options are provided in the Directors' Remuneration Report on pages 13 to 18.

8 Taxation

Analysis of the tax charge in the year at 30% (2004: 30%)

	2005 £000	2004 £000
Current tax:		
Corporation tax at 30% (2004: 30%)		
– current year	**792**	660
– previous years	**(9)**	(76)
Total current tax	**783**	584
Deferred tax:		
Origination and reversal of timing differences		
– current year	**224**	253
– previous years	**7**	(18)
Total deferred tax	**231**	235
Tax charge	**1,014**	819

Factors affecting the tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%). The differences are explained as follows:

	2005 £000	2004 £000
Profit on ordinary activities before tax	**3,445**	2,848
Tax charge at UK standard rate of tax of 30% (2004: 30%)	**1,034**	854
Capital allowances for the period in excess of depreciation	**(280)**	(254)
Expenses not deductible for tax purposes	**49**	43
Non qualifying depreciation	**–**	48
Fixed asset loss on disposals of non qualifying items	**–**	1
Adjustment in respect of prior periods	**(9)**	(76)
Short term timing differences	**(11)**	(32)
Current tax charge	**783**	584

9 Profit attributable to the company

The profit for the financial year dealt with in the financial statements of the parent company was £2,057,000 (2004: £2,029,000).

10 Dividends

	2005	2004
	£000	£000
Preference – paid and payable at 4.55p (2004: 4.55p)	**2**	2
Ordinary – interim paid 2.5p (2004: 2.4p)	**266**	255
– final proposed Nil (2004: 4.3p)	**–**	457
	268	714

11 Intangible fixed assets

Group and Company

	Goodwill **£000**
Cost	
At 29 February 2004 and 26 February 2005	2,270
Amortisation	
At 29 February 2004	519
Charged in year	113
At 26 February 2005	632
Net book amount	
At 26 February 2005	1,638
Net book amount	
At 28 February 2004	1,751

12 Tangible fixed assets

Group

	Freehold property £000	Long leasehold property £000	Short leasehold property £000	Plant and machinery £000	Motor vehicles, casks, fixtures & fittings £000	Total £000
Cost or valuation						
At 29 February 2004	39,466	2,360	724	2,404	4,592	49,546
Additions	4,461	25	86	25	709	5,306
Acquisitions (note 25)	1,217	–	–	–	31	1,248
Disposals	(1,588)	–	–	(2)	(393)	(1,983)
At 26 February 2005	43,556	2,385	810	2,427	4,939	54,117
Depreciation						
At 29 February 2004	578	26	221	950	3,116	4,891
Charge for year	144	6	45	104	379	678
Disposals	(5)	–	–	(1)	(140)	(146)
At 26 February 2005	717	32	266	1,053	3,355	5,423
Net book value						
At 26 February 2005	42,839	2,353	544	1,374	1,584	48,694
At 28 February 2004	38,888	2,334	503	1,454	1,476	44,655

Company

	Freehold property £000	Long leasehold property £000	Short leasehold property £000	Plant and machinery £000	Motor vehicles, casks, fixtures & fittings £000	Total £000
Cost or valuation						
At 29 February 2004	39,466	2,360	724	2,404	4,592	49,546
Additions	4,461	25	86	25	706	5,303
Disposals	(1,092)	–	–	(2)	(380)	(1,474)
At 26 February 2005	42,835	2,385	810	2,427	4,918	53,375
Depreciation						
At 29 February 2004	578	26	221	950	3,116	4,891
Charge for year	143	6	45	104	375	673
Disposals	(5)	–	–	(1)	(140)	(146)
At 26 February 2005	716	32	266	1,053	3,351	5,418
Net book value						
At 26 February 2005	42,119	2,353	544	1,374	1,567	47,957
At 28 February 2004	38,888	2,334	503	1,454	1,476	44,655

Included in Motor vehicles, casks, fixtures & fittings are amounts held under finance leases and hire purchase contracts at net book value of £66,000 (2004: £nil). No depreciation has been charged for the year.

On 2 March 2002 the managed houses identified to be transferred to lease or tenancy were revalued by Fleurets, licenced property specialists, on an Existing Use Value basis, and the Directors reviewed the value of other non performing houses.

The remaining freehold and leasehold land and buildings are carried at the value determined as at 28 September 1997 by Fleurets on an Existing Use Value basis or at cost.

Included in Freehold and Long Leasehold Property shown above in both the Group and Company are non–depreciating land assets valued at £13,526,000 (2004: £11,648,000) and £795,000 (2004: £784,000) respectively.

If land and buildings had not been revalued they would have been included at the following amounts:

	Freehold property £000	Long leasehold property £000	Short leasehold property £000
Group			
Cost	37,090	1,899	807
Depreciation	(588)	(26)	(266)
Net book value	36,502	1,873	541

	Freehold property £000	Long leasehold property £000	Short leasehold property £000
Company			
Cost	36,369	1,899	807
Depreciation	(587)	(26)	(266)
Net book value	35,782	1,873	541

13 Investments and loans

Group – as restated

	Trade loans £000
Cost	
At 29 February 2004	2,095
Additions	450
Realisations	(696)
At 26 February 2005	1,849
Provision	
At 29 February 2004	91
Movement in provision	(89)
At 26 February 2005	2
Cost less provisions	
At 26 February 2005	1,847
At 28 February 2004	2,004

Company – as restated

	Trade loans £000	Subsidiary undertakings £000	Total £000
Cost			
At 29 February 2004	2,095	–	2,095
Additions	450	877	1,327
Realisations	(696)	–	(696)
At 26 February 2005	1,849	877	2,726
Provision			
At 29 February 2004	91	–	91
Movement in provision	(89)	335	246
At 26 February 2005	2	335	337
Cost less provisions			
At 26 February 2005	1,847	542	2,389
At 28 February 2004	2,004	–	2,004

Subsidiary undertakings

At 26 February 2005, the company had the following principal subsidiary companies which are registered in England and Wales:

Name of subsidiary	Trading activity	Held by Group %	Held by Company %
Jennings Brothers ESOP Trust Limited	Employee share ownership scheme	100	100
Jennings Brothers Profit Sharing Share Scheme Trust Limited	Employee share ownership scheme	100	100
The Gray Ox Limited	Ownership of public house	100	100

14 Stocks

Group and Company

The main categories of stock are:	**2005 £000**	2004 £000
Raw materials, beer under production and consumables	**137**	147
Finished goods and goods for resale	**342**	365
	479	512

The Directors consider the difference between replacement cost and the book value is immaterial.

15 Debtors

Group

	2005 £000	2004 £000
Trade debtors	**1,307**	1,327
Other debtors	**333**	281
Prepayments	**378**	368
	2,018	1,976

Company

	2005 £000	2004 £000
Trade debtors	**1,307**	1,327
Amounts owed to subsidiary undertaking	**315**	–
Other debtors	**333**	281
Prepayments	**378**	368
	2,333	1,976

All the above fall due within one year.

Other debtors include £Nil (2004: £65,000) consideration in respect of the disposal of properties.

16 Creditors

Group

Amounts falling due within one year	2005 £000	2004 £000
Bank loans (note 17)	**2,129**	1,784
Bank overdraft (note 17)	**1,868**	243
Trade creditors	**1,068**	1,121
Corporation tax	**395**	239
Other taxes and social security costs	**293**	171
Proposed dividends	**1**	458
Other creditors	**6**	40
Government grant	**1**	1
Accruals and deferred income	**1,032**	788
Amounts due under finance leases and hire purchase contracts (note 17)	**11**	–
	6,804	4,845
Amounts falling due after more than one year		
Bank loans (note 17)	**17,654**	17,900
Tenancy deposits	**353**	333
Government grants	**42**	43
Amounts due under finance leases and hire purchase contracts (note 17)	**43**	–
	18,092	18,276

Company

Amounts falling due within one year	2005 £000	2004 £000
Bank loans (note 17)	**2,129**	1,784
Bank overdraft (note 17)	**1,868**	243
Trade creditors	**1,068**	1,121
Corporation tax	**382**	239
Other taxes and social security costs	**293**	171
Proposed dividends	**1**	458
Other creditors	**6**	40
Government grant	**1**	1
Accruals and deferred income	**1,030**	788
Amounts due under finance leases and hire purchase contracts (note 17)	**11**	–
	6,789	4,845
Amounts falling due after more than one year		
Bank loans (note 17)	**17,654**	17,900
Tenancy deposits	**353**	333
Government grants	**42**	43
Amounts due under finance leases and hire purchase contracts (note 17)	**43**	–
	18,092	18,276

Assets held under finance leases and hire purchase contracts are secured over the assets to which they relate.

17 Borrowings

Group and Company

Borrowings are repayable as follows:	2005 £000	2004 £000
Within one year:		
Bank and other borrowings	**3,997**	2,027
Finance leases and hire purchase contracts	**11**	–
Between one and five years:		
Bank and other borrowings	**8,614**	8,184
Finance leases and hire purchase contracts	**43**	–
More than five years:		
Bank and other borrowings	**8,401**	9,070
Finance leases and hire purchase contracts	**–**	–
Other than by instalments – more than five years:		
Bank and other borrowings	**639**	646
	21,705	19,927

The bank loans together with the bank overdraft are secured by a floating charge over assets, a fixed charge over book debts or a first charge over certain of the Group's assets. Loans are repayable at various dates with interest chargeable at varying rates over bank base rate (note 28).

18 Provisions for liabilities and charges

Deferred taxation	Group		Company	
	2005	2004	**2005**	2004
	£000	£000	**£000**	£000
At 29 February 2004	**624**	389	**624**	389
Acquisition (note 25)	**2**	–	**–**	–
Increase in provision	**231**	235	**230**	235
At 26 February 2005	**857**	624	**854**	624

	Group		Company	
	2005	2004	**2005**	2004
	£000	£000	**£000**	£000
Deferred taxation:				
Capital allowances	**860**	638	**857**	638
Other short term timing differences	**(3)**	(14)	**(3)**	(14)
Total deferred tax provided	**857**	624	**854**	624

No account has been taken of potential tax liabilities in respect of capital gains on revalued properties which are not expected to crystallise in the foreseeable future due to the availability of unutilised capital losses.

19 Share capital

	2005	2004
	£000	£000
Authorised:		
50,000 4.55% Preference shares of £1 each (Non–equity)	**50**	50
15,800,000 Ordinary shares of 25p each (Equity)	**3,950**	3,950
	4,000	4,000
Allotted, called up and fully paid:		
50,000 4.55% Preference shares of £1 each (Non–equity)	**50**	50
10,654,447 Ordinary shares of 25p each (Equity)	**2,664**	2,664
	2,714	2,714

The rights attaching to the equity and non–equity shares are as follows:

	Equity Ordinary Shares	**Non–equity Preference shares**
Dividend	Participating	4.55p per share per annum
Voting	One vote per share	No rights
Winding up priority	Balance of assets remaining (after Preference share rights exhausted)	Priority to receive amount equal to monies paid up on shares and any unpaid dividends before any return of capital to Ordinary Shareholders

20 Reserves

Group

	Share premium £000	Revaluation reserve £000	Other reserves ESOP £000	Other reserves Other £000	Profit and loss account £000
At 29 February 2004 – as previously reported	5,469	6,746	–	7,988	4,431
Prior year adjustment (note 22)	–	–	(100)	–	–
At 29 February 2004 – as restated	5,469	6,746	(100)	7,988	4,431
Realisation of property revaluation (losses)/gains of previous years	–	93	–	–	(93)
Difference between historical cost depreciation charge and depreciation charge based on revalued amounts	–	(19)	–	–	19
ESOP realisations	–	–	36	–	–
Retained profit for the year	–	–	–	–	2,163
At 26 February 2005	**5,469**	**6,820**	**(64)**	**7,988**	**6,520**

Company

	Share premium £000	Revaluation reserve £000	Other reserves ESOP £000	Other reserves Other £000	Profit and loss account £000
At 29 February 2004 – as previously reported	5,469	6,746	–	7,988	4,431
Prior year adjustment (note 22)	–	–	(100)	–	–
At 29 February 2004 – as restated	5,469	6,746	(100)	7,988	4,431
Realisation of property revaluation (losses)/gains of previous years	–	93	–	–	(93)
Difference between historical cost depreciation charge and depreciation charge based on revalued amounts	–	(19)	–	–	19
ESOP realisations	–	–	36	–	–
Retained profit for the year	–	–	–	–	1,789
At 26 February 2005	**5,469**	**6,820**	**(64)**	**7,988**	**6,146**

The cost of own shares above represents 20,337 (2004: 31,617) 25p ordinary shares in the company held by Jennings Brothers ESOP Trust Limited for the purposes of the employee's share option schemes approved by the shareholders in 1993.

The market value of these shares at 26 February 2005 was £65,790 (2004: £73,984). Dividends are waived on these shares whilst in trust and they are all under option to employees.

21 Reconciliation of movements in shareholders' funds

	Group		Company	
		Restated		Restated
	2005	2004	**2005**	2004
	£000	£000	**£000**	£000
Profit for the year	**2,431**	2,029	**2,057**	2,029
Dividends	**(268)**	(714)	**(268)**	(714)
Retained profit for the year	**2,163**	1,315	**1,789**	1,315
ESOP realisations	**36**	–	**36**	–
Net addition to shareholders' funds	**2,199**	1,315	**1,825**	1,315
Opening shareholders' funds – as restated (previously reported £27,348,000, (2004: £26,033,000))	**27,248**	25,933	**27,248**	25,933
Closing shareholders' funds	**29,447**	27,248	**29,073**	27,248
Comprising:				
Equity interests	**29,397**	27,198	**29,023**	27,198
Non–equity interests	**50**	50	**50**	50
	29,447	27,248	**29,073**	27,248

22 Prior year adjustment

Comparative figures have been restated to reflect the adoption of "UITF 38 – Accounting for ESOP Trusts" by deducting the investment in own shares against shareholders' funds. This has resulted in the reclassification of the investment in own shares of £100,000 at 28 February 2004, from investments to other reserves.

23 Pension schemes

Defined contributions scheme

The Company operates a defined contribution scheme introduced on 1 July 1998. The pension charge in respect of the defined contribution scheme was £132,000 (2004: £105,000).

Defined benefit scheme

The Company also operates a defined benefit pension scheme which has now been closed to new members. The assets of the scheme are administered by trustees in a fund independent from those of the Company.

Disclosure under SSAP 24

The most recent interim actuarial valuation for the defined benefit scheme for which figures are available was at 6 April 2003 which indicated a deficit of £791,000. The assumptions having the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in pay and pensions. It has been assumed that investment returns will exceed the rate of growth in salaries of 2% per annum. An updated actuarial valuation as at 6 April 2004 has yet to be finalised and therefore this position has not been incorporated into the financial statements.

Pension schemes (continued)

The valuation at 6 April 2003 showed that the market value of the scheme's assets was £3,164,000 and the actuarial value of those assets represented 75% of the benefits that had accrued to members after allowing for expected future increases in earnings and equalisation of retirement ages.

The pension charge to the profit and loss account in respect of the defined benefit scheme was £171,000 (2004: £187,000) and includes £77,000 (2004: £75,000) as a result of the amortisation of the deficit.

FRS 17 disclosures:
Under FRS 17 "Retirement Benefits", the following transitional disclosures are required:

A full actuarial valuation was carried out for the defined benefit scheme at 6 April 2003 by a qualified actuary using the projected unit method and has been updated to 26 February 2005 by a qualified independent actuary.

The scheme is closed and therefore the current service cost will increase as the members of the scheme approach retirement.

Following the full actuarial valuation of 6 April 2003 employer contributions have been agreed at the rate of £21,000 per month. Active members pay on average at the rate of 4.50% of pensionable pay.

The main assumptions used by the actuary were:

	2005	2004	2003
Rate of increase in salaries	4.3%	4.3%	3.8%
Rate of increase in pensions for payment	2.7%	2.7%	2.2%
Discount rate	5.5%	5.5%	5.3%
Inflation	2.9%	2.9%	2.4%
Revaluation of deferred pensions	2.9%	2.9%	2.4%

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

	% expected return	**Value at 26 February 2005 £000**	% expected return	Value at 28 February 2004 £000	% expected return	Value at 1 March 2003 £000
Equities	**7.0%**	**2,817**	7.0%	2,545	6.5%	1,963
Bonds	**4.7%**	**1,400**	5.0%	1,250	4.5%	1,009
Property	**7.0%**	**34**	7.0%	59	6.5%	86
Cash	**4.7%**	**191**	5.0%	85	4.0%	110
Total market value of assets		**4,442**		3,939		3,168
Present value of scheme liabilities		**(7,008)**		(6,414)		(6,142)
Deficit in the scheme		**(2,566)**		(2,475)		(2,974)
Related deferred tax at 30%		**770**		742		892
Net pension liability		**(1,796)**		(1,733)		(2,082)

Pension schemes (continued)

If FRS 17 had been fully implemented, the amount charged to operating profit would have been:

	2005 £000	2004 £000
Current service cost, less employee contribution	79	62

Other finance (costs)/income comprises:	2005 £000	2004 £000
Expected return on pension scheme assets	253	188
Interest on pension scheme liabilities	(352)	(325)
	(99)	(137)

The amount that would be recognised in the statement of total recognised gains and losses is:

	2005 £000	2004 £000
Actual return less expected return on pension scheme assets	135	402
Experience gains and losses arising on the scheme liabilities	68	63
Changes in the assumptions underlying the present value of the scheme liabilities	(322)	(27)
	(119)	438

The movement in the deficit in the year was:	2005 £000	2004 £000
Deficit in the scheme at beginning of year	(2,475)	(2,974)
Current service cost	(79)	(62)
Contributions	206	260
Other finance expense	(99)	(137)
Actuarial (loss)/gain	(119)	438
Deficit in the scheme at end of year	(2,566)	(2,475)

The amount of this net pension liability would have a consequential effect on reserves as follows:

	2005 £000	Restated 2004 £000
Impact on net assets		
Net assets excluding pension liability	29,447	27,248
Gross pension liability	(2,566)	(2,475)
Net assets after pension liability	26,881	24,773
Impact on reserves		
Profit and loss reserve excluding pension liability	6,520	4,431
Net pension liability	(1,796)	(1,733)
Profit and loss reserve after pension liability	4,724	2,698

Pension schemes (continued)

The history of experience gains and losses has been:	**2005**	2004	2003
Difference between expected and actual return on scheme assets			
Amount (£000)	**135**	402	(991)
Percentage of scheme assets	**3%**	10%	31%
Experience gains and losses on scheme liabilities			
Amount	**68**	63	544
Percentage of present value of scheme liabilities	**1%**	1%	9%
Total actuarial gains and losses			
Amount (£000)	**(119)**	438	(895)
Percentage of present value of scheme liabilities	**2%**	7%	15%

24 Notes to the cash flow statement

(i) Reconciliation of operating profit to net cash inflow from operating activities:

	2005 **£000**	2004 £000
Operating profit before exceptional costs	**4,465**	3,813
Depreciation	**678**	645
Goodwill amortisation	**113**	113
(Profit)/loss on sale of fixed assets excluding properties	**(9)**	2
Loss on ESOP shares	**14**	5
Trade loans provisions and allowances	**(89)**	1
Decrease/(increase) in stocks	**33**	(39)
(Increase)/decrease in debtors	**(194)**	210
Increase/(decrease) in creditors	**147**	(195)
Net cash inflow from operating activities before exceptional items	**5,158**	4,555

The restructuring and exceptional expenditure of £135,000 expended in 2004 was originally included within creditors in 2002 and carried forward into 2003.

(ii) Reconciliation of net cash flow to movement in net debt:

	2005	2004
	£000	£000
(Decrease)/increase in cash in the year	**(1,196)**	969
Repayment of bank loans	**2,409**	1,138
New bank loans	**(2,150)**	(4,408)
Cash outflow from finance leases	**12**	–
Inception of finance leases	**(66)**	–
Loans acquired with subsidiary (note 25)	**(358)**	–
Change in net debt in the year	**(1,349)**	(2,301)
Net debt at 29 February 2004/2 March 2003	**(19,832)**	(17,531)
Net debt at 26 February 2005/28 February 2004	**(21,181)**	(19,832)

(iii) Analysis of net debt:

	As at 29 February 2004	Cash flows	Acquisition (note 25)	Non cash flow	**As at 26 February 2005**
	£000	£000	£000	£000	**£000**
Cash at bank and in hand	95	429	–	–	**524**
Overdrafts	(243)	(1,625)	–	–	**(1,868)**
	(148)	(1,196)	–	–	**(1,344)**
Bank loans due within one year	(1,784)	13	(358)	–	**(2,129)**
Bank loans due after one year	(17,900)	246	–	–	**(17,654)**
Finance leases	–	12	–	(66)	**(54)**
	(19,832)	(925)	(358)	(66)	**(21,181)**

25 Acquisitions

On 6 April 2004 the Group acquired the entire share capital of The Gray Ox Limited for a consideration of £798,000 plus acquisition costs. No goodwill arose on the acquisition and the purchase has been accounted for by the acquisition method of accounting.

The profit after taxation of The Gray Ox Limited for the period from 1 July 2003, the beginning of the subsidiary's financial year, to the date of acquisition was £2,000. The loss after taxation for the year ended 30 June 2004 was £25,549.

	Book value £000	Provisional fair value adjustments £000	Fair value £000
Fixed assets			
Tangible	463	785	**1,248**
Intangible	20	(20)	**–**
Current assets			
Stocks	10	(10)	**–**
Debtors	24	–	**24**
Bank and cash	121	–	**121**
Total assets	638	755	**1,393**
Creditors			
Bank loans	(358)	–	**(358)**
Trade creditors	(94)	–	**(94)**
Corporation tax	(5)	–	**(5)**
Other creditors	(57)	–	**(57)**
Provisions			
Deferred taxation	(2)	–	**(2)**
Total liabilities	(516)	–	**(516)**
Net assets	122	755	**877**
Satisfied by			
Cash			**798**
Acquisition costs			**79**
			877

Provisional fair value adjustments were made to Tangible Fixed Assets, Intangible Fixed Assets and Stocks to reflect the open market value and the directors opinion of the carrying value of assets respectively at the date of acquisition.

26 Capital commitments

Group and Company

	2005 £000	2004 £000
Capital expenditure authorised by the Directors but not provided in the financial statements		
Contracted	–	1,292

27 Leasing commitments

Group and Company

	2005 £000	2004 £000
Annual commitments under non–cancellable operating leases are as follows:		
Leases of land and buildings expiring:		
Between one and five years	–	–
After five years	159	179
	159	179

28 Financial instruments

The Group's treasury policy has as its own principal objective being the achievement of the maximum rate of return on cash balances whilst maintaining an acceptable level of risk. Income and expenditure arising on financial instruments is recognised on the accruals basis and credited or charged to the profit and loss account in the financial period to which it relates.

The fair values of the Group's long term debtors and creditors and preference shares are not materially different from the amount at which they are recorded in these financial statements.

For the purposes of the following disclosures, short–term debtors and creditors have been excluded, as permitted by FRS 13. The Group's financial assets comprise cash.

The Group's financial liabilities comprise bank overdraft, finance leases, loans and long term creditors, and deposits from tenants. The interest rate profile of the Group's financial liabilities at 26 February 2005, all of which are denominated in sterling, was as follows:

	2005 £000	2004 £000
Floating rate bank loans	4,783	11,684
Fixed rate bank loans	15,000	8,000
Fixed rate finance leases and hire purchase contracts	54	–
Floating rate bank overdraft	1,868	243
	21,705	19,927
Floating rate tenancy deposits	353	333
	22,058	20,260

Interest on the floating rate bank loans and overdrafts is linked to base rate. Interest on the floating rate tenancy deposits is linked to a building society deposit rate. These deposits are repayable on termination of the tenancy.

The bank overdrafts are renewable on 1 July 2005.

The Group has an interest rate SWAP agreement expiring on 15 May 2017 on £8,000,000 with a fixed rate of 5.63%.

During the year the Group entered into an additional interest SWAP agreement expiring in January 2010 on £7,000,000 with a fixed rate of 4.68% for five years. The bank holds an option to extend the agreement for up to an additional 10 years.

The maturity of the Group's financial liabilities at 26 February 2005 was as follows:

	2005	2004
Debt can be analysed as falling due:	**£000**	£000
In one year or less, or on demand	**4,008**	2,027
Between one and two years	**2,199**	2,005
Between two and five years	**6,458**	6,179
More than five years	**9,393**	10,049
	22,058	20,260

The Group has various borrowings available to it. The undrawn committed facilities at 26 February 2005 were as follows:

	2005	2004
	£000	£000
Expiring within one year, or on demand	**3,866**	2,863

29 Post balance sheet event

On 11 April 2005 shareholders were notified that the Boards of Jennings Brothers plc ("Jennings") and The Wolverhampton & Dudley Breweries, PLC ("W&DB") were in discussions with a view to W&DB making a recommended cash offer for Jennings at 430 pence per Jennings ordinary share including a final dividend.

Group Five Year Financial Summary

	75 weeks 2001 £000	52 weeks 2002 £000	52 weeks 2003 £000	Restated 52 weeks 2004 £000	**52 weeks 2005 £000**
Profit and loss account					
Turnover	44,927	30,252	16,358	17,240	**18,201**
Operating profit before exceptional items	5,859	3,258	3,362	3,813	**4,465**
Net interest payable	(2,754)	(1,835)	(851)	(963)	**(1,240)**
Profit before taxation and exceptional items	3,105	1,423	2,511	2,850	**3,225**
Profit/(loss) on disposal of properties	80	(1,319)	41	(2)	**220**
Reorganisation and termination of activity costs	–	(2,776)	–	–	**–**
Property impairment	–	(3,427)	–	–	**–**
Profit/(loss) on ordinary activities before taxation	3,185	(6,099)	2,552	2,848	**3,445**
Taxation	(502)	101	(684)	(819)	**(1,014)**
Dividends	(1,257)	(652)	(680)	(714)	**(268)**
Profit/(loss) retained	1,426	(6,650)	1,188	1,315	**2,163**
Balance sheet					
Assets employed					
Tangible fixed assets	57,921	38,071	41,004	44,655	**48,694**
Investments, loans and goodwill	4,478	4,329	4,123	3,755	**3,485**
Net current liabilities	(9,102)	2,805	(3,382)	(2,262)	**(3,783)**
	53,297	45,205	41,745	46,148	**48,396**
Long term finance and provisions	(21,394)	(20,244)	(15,712)	(18,900)	**(18,949)**
Net assets employed	31,903	24,961	26,033	27,248	**29,447**
Shareholders' funds					
Called up share capital	2,714	2,714	2,714	2,714	**2,714**
Share premium and reserves	29,189	22,247	23,319	24,534	**26,733**
	31,903	24,961	26,033	27,248	**29,447**
Basic earnings per ordinary share	25.3p	(56.5)p	17.6p	19.1p	**22.9p**
Earnings per ordinary share before exceptional items and property sales	24.5p	9.6p	17.3p	19.1p	**20.8p**