

ENGLISH COUNTRY INNS LIMITED
(formerly English Country Inns PLC)

ANNUAL REPORT

For the 70 weeks ended 30 September 2006

Registered Number 3896380

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ENGLISH COUNTRY INNS LIMITED
(formerly English Country Inns PLC)

ANNUAL REPORT

Period ended 30 September 2006

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ENGLISH COUNTRY INNS LIMITED
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DIRECTORS' REPORT

The Directors submit their report and the audited financial statements of the Company for the 70 weeks ended 30 September 2006 (2005: 52 weeks ended 28 May 2005).

Principal activity, review of business and future developments

The principal activity of the Company was the ownership and management of public houses and the distribution of food, beers, wines, spirits and other drinks to its customers.

On 15 September 2005 the Company was acquired by The Wolverhampton & Dudley Breweries, PLC.

On 8 March 2006 the name of the Company was changed to English Country Inns Limited.

For the 70 weeks ended 30 September 2006, the company made a profit after taxation of £1,818,000 (52 weeks ended 28 May 2005: loss of £231,000).

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.

Change in accounting policy

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.

Dividends

The Directors propose the payment of a final dividend of 2.54p per 50.0p ordinary share (2005: £nil), resulting in total proposed dividends of £300,000 (2005: £nil).

Directors

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

R Hunt	(resigned 15 September 2005)
D T Udell	(resigned 15 September 2005)
M J Hughes	(resigned 15 September 2005)
P J Mathews	(resigned 15 September 2005)
S T Gee	(resigned 15 September 2005)
D Andrew	(appointed 15 September 2005)
R Findlay	(appointed 15 September 2005)
P Inglett	(appointed 15 September 2005)
S J Oliver	(appointed 15 September 2005)
A Darby	(appointed 15 September 2005)

No Director had any interest in the share capital of the Company at 30 September 2006. From 28 May 2005 until 15 September 2005 the shareholdings of the Directors were as follows:

R Hunt	25,000 Ordinary £0.50 shares
D T Udell	20,000 Ordinary £0.50 shares
P J Mathews	15,000 Ordinary £0.50 shares
S T Gee	2,000 Ordinary £0.50 shares

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.

ENGLISH COUNTRY INNS LIMITED
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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 13.

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 15 September 2005 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



Anne-Marie Brennan *Company secretary*
1 December 2006

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ENGLISH COUNTRY INNS LIMITED

We have audited the financial statements of English Country Inns 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

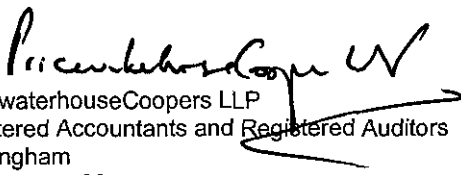
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 profit 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
Chartered Accountants and Registered Auditors
Birmingham
1 December 2006

ENGLISH COUNTRY INNS LIMITED
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PROFIT AND LOSS ACCOUNT
For the period ended 30 September 2006

	Notes	70 weeks ended 30 September 2006 £'000	52 weeks ended 28 May 2005 £'000
Turnover		5,989	6,400
Trading expenses			
Before exceptional costs	2	(6,108)	(6,619)
Exceptional costs	2	(683)	-
Total trading expenses		(6,791)	(6,619)
Operating loss		(802)	(219)
Interest receivable and similar income	5	21	10
Profit on disposal of business	17	2,500	-
Profit/(loss) on ordinary activities before taxation		1,719	(209)
Taxation	6	99	(22)
Profit on ordinary activities after taxation		1,818	(231)
Dividends	7	-	-
Profit/(loss) for the period	15	1,818	(231)

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.

ENGLISH COUNTRY INNS LIMITED
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BALANCE SHEET
At 30 September 2006

	Notes	30 September 2006 £'000	28 May 2005 £'000
Fixed assets			
Tangible assets	8	-	10,258
Current assets			
Stocks	9	-	193
Debtors - due within one year	10	758	233
- due after more than one year	10	16,231	-
Cash at bank and in hand		-	288
		16,989	714
Creditors (amounts falling due within one year)	11	(1,025)	(721)
Net current assets/(liabilities)		15,964	(7)
Total assets less current liabilities		15,964	10,251
Provisions for liabilities and charges	12	-	(66)
Net assets		15,964	10,185
Capital and reserves			
Called up share capital	14	5,915	5,332
Share premium account	15	5,526	4,914
Profit and loss account	15	4,523	(61)
Equity shareholders' funds	16	15,964	10,185

The financial statements on pages 5 to 13 were approved by the Board on 1 December 2006 and were signed on its behalf by:



Paul Inglett
Director
1 December 2006

ENGLISH COUNTRY INNS LIMITED
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NOTES

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 15 September 2005. In the period from 29 May 2005 to 15 September 2005 the Company made purchases of £7,000 (52 weeks to 28 May 2005: £13,000) from The Wolverhampton & Dudley Breweries, PLC Group.

(d) Change in accounting policy

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.

(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. Fixtures, fittings and equipment 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) 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.

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1 Accounting Policies (continued)

(h) Fixed asset disposals

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

(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 on a straight line basis over the term of the lease.

2 Trading expenses

	70 weeks ended 30 September 2006 £'000	52 weeks ended 28 May 2005 £'000
Before exceptional costs		
Depreciation of tangible fixed assets	235	403
Operating leases – land and buildings	12	40
Other operating charges	5,861	6,176
	6,108	6,619
Exceptional costs		
Costs incurred in respect of the sale of the business		
Legal and professional costs	295	-
Staff redundancy costs	196	-
Write-down of assets	71	-
Impairment of fixed assets following revaluation	121	-
	683	-
	6,791	6,619

Auditors' remuneration is borne by the ultimate parent company, The Wolverhampton & Dudley Breweries, PLC (2005: £8,000 paid by English Country Inns Limited).

3 Employees

The monthly average number of employees during the period was 80 (2005: 255).

Staff costs consist of:

	70 weeks ended 30 September 2006 £'000	52 weeks ended 28 May 2005 £'000
Wages and salaries	751	2,237
Social security costs	46	124
	797	2,361

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4 Directors' emoluments

	70 weeks ended 30 September 2006 £'000	52 weeks ended 28 May 2005 £'000
Aggregate emoluments	158	173

5 Interest receivable and similar income

	70 weeks ended 30 September 2006 £'000	52 weeks ended 28 May 2005 £'000
Bank interest receivable	4	10
Financing income (note 9)	17	-
	21	10

6 Taxation

	70 weeks ended 30 September 2006 £'000	52 weeks ended 28 May 2005 £'000
Current tax:		
- Corporation tax on profit/(loss) for the period	(188)	-
- adjustment in respect of prior periods	(25)	-
	(213)	-
Deferred tax (note 11)	114	22
Taxation (credit)/charge on profit/(loss) on ordinary activities	(99)	22

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

	70 weeks ended 30 September 2006 £'000	52 weeks ended 28 May 2005 £'000
Profit/(loss) on ordinary activities before tax	1,719	(209)
Profit/(loss) before tax multiplied by the UK corporation tax rate of 30% (2005: 19%)	516	(40)
Effect of:		
Expenses not deductible for tax purposes	17	62
Profit on disposal not taxable	(750)	-
Capital allowances for the period in excess of depreciation	(50)	(29)
Losses in the period	79	7
Adjustment in respect of prior periods	(25)	-
Current period taxation (credit)/charge	(213)	-

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

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7 Dividends

	2006 £'000	As restated 2005 £'000
Paid in the period		
Final dividend for 2006 of nil per share (2005: nil)	-	-

8 Tangible fixed assets

	Land and buildings £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost or valuation			
At 29 May 2005	9,419	1,803	11,222
Additions	250	832	1,082
Revaluations	2,174	-	2,174
Transfers to other Group undertakings	(11,843)	(2,635)	(14,478)
At 30 September 2006	-	-	-
Depreciation			
At 29 May 2005	418	546	964
Charge for the period	53	182	235
Revaluations	(471)	-	(471)
Transfers to other Group undertakings	-	(728)	(728)
At 30 September 2006	-	-	-
Net book value			
At 30 September 2006	-	-	-
At 28 May 2005	9,001	1,257	10,258

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

	30 September 2006 £'000	28 May 2005 £'000
Freehold properties	-	8,854
Long leasehold properties	-	147
	-	9,001

Valuation of properties

On 15 September 2005, independent chartered surveyors Christie & Co revalued the Company's properties on an existing use basis. The revaluation has been reflected in the financial statements as follows:

	2006 £'000
Profit and loss account charge	
Revaluation loss – charged as an impairment	(121)
Revaluation reserve	
Surplus on revaluation of properties	2,766
Net increase in shareholders' funds/fixed assets	2,645

If the land and buildings had not been revalued, the historical cost net book value would be £nil (2005: £9,001,000).

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9 Stocks

	30 September 2006 £'000	28 May 2005 £'000
Goods held for resale	-	193

10 Debtors

	30 September 2006 £'000	28 May 2005 £'000
Amounts due within one year		
Other debtors	-	5
Corporation tax	188	-
Amounts due from Group undertakings	570	-
Prepayments and accrued income	-	228
	758	233

	30 September 2006 £'000	28 May 2005 £'000
Amounts due after more than one year		
Discounted convertible loan note – due from Group undertaking	16,231	-

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.

Interest receivable of £17,000 had accrued at the period end and is included in the balance above. This reflects the spreading of the total interest receivable, which can be considered qualifying consideration over the period of the loan.

11 Creditors (amounts falling due within one year)

	30 September 2006 £'000	28 May 2005 £'000
Trade creditors	-	358
Other taxation and social security	-	191
Accruals and deferred income	-	170
Amounts due to Group undertakings	1,025	-
Other creditors	-	2
	1,025	721

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12 Provisions for liabilities and charges

The amount provided in respect of deferred tax is as follows:

	30 September 2006 £'000	28 May 2005 £'000
Capital allowances in advance of depreciation	-	82
Tax losses available	-	(16)
	-	66
At 29 May 2005	66	
Disposal of business to Group undertaking	(180)	
Profit and loss account	114	
At 30 September 2006	-	

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

13 Commitments under operating leases

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

	30 September 2006 Land and buildings £'000	28 May 2005 Land and buildings £'000
Operating leases which expire after more than five years	-	40

14 Share capital

	30 September 2006 £'000	28 May 2005 £'000
Authorised		
20,000,000 ordinary shares of £0.50 each	10,000	10,000
Allotted, issued and fully paid		
11,829,378 (2005: 10,663,069) ordinary shares of £0.50 each	5,915	5,332

Following the acquisition of the Company by The Wolverhampton & Dudley Breweries, PLC on 15 September 2005 all share options in issue on that date were exercised. Exercise prices ranged from 100.0p to 105.0p and in total an additional 1,166,309 ordinary shares at £.50 were issued at a premium of £612,000.

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15 Reserves

	Share premium account £'000	Revaluation reserve £'000	Profit and loss account £'000
At 28 May 2005	4,914	-	(61)
Profit for the financial period	-	-	1,818
Ordinary shares issued	612	-	-
Revaluation of properties	-	2,766	-
Disposal of properties to other Group undertakings	-	(2,766)	2,766
At 30 September 2006	5,526	-	4,523

16 Reconciliation of movement in shareholders' funds

	70 weeks ended 30 September 2006 £'000	52 weeks ended 28 May 2005 £'000
Profit/(loss) transferred to/(from) reserves	1,818	(231)
Ordinary shares issued	1,195	-
Revaluation of properties	2,766	-
Net addition/(reduction) to shareholders' funds	5,779	(231)
Opening shareholders' funds	10,185	10,416
Closing shareholders' funds	15,964	10,185

17 Disposal of business

On 27 May 2006 the Company ceased trading and sold its public houses to W&DB Estates Limited for £16.2m, generating a profit on disposal of £2.5m. Trade loans, stocks, debtors, cash and creditors were also transferred to W&DB Estates Limited at their net book value.

18 Ultimate parent undertaking

With effect from 15 September 2005 the Company's immediate and 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 English Country Inns Limited. Copies of the Group financial statements can be obtained from the Company Secretary, PO Box 26, Park Brewery, Wolverhampton, WV1 4NY.

Prior to 15 September 2005 there was no overall controlling party.

19 Post balance sheet events

A final dividend for 2006 of 2.54p per share amounting to £300,000 has been proposed for approval at the annual general meeting, but has not been reflected in the financial statements.