Interim Report 2009

for the six months ended 31 March 2009

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The Swan, High Wycombe

The Floating Bridge, Dartmouth

The Bell, Nr Frome

Interim Results Highlights

- EBITDA of £225 million (2008: £256 million)*
- Profit before tax and exceptional items £103 million (2008: £132 million)
- Adjusted earnings per share 15.1p (2008: 19.3p)
- Interim dividend per share Nil (2008: 5.8p)
- Underlying net debt reduced by £58 million in past twelve months through cash generation and asset disposals

Statutory Results (after exceptional items)

- Profit before tax £9 million (2008: £122 million)
- Exceptional costs of £94 million before tax are all non-cash and relate principally to a reduction in value of the pub estate and the movement in fair value of interest rate swaps

* Earnings before interest, tax, depreciation and amortisation and excluding exceptional items.

Chairman's Interim Statement

I am pleased to report on our interim results for the six months to 31 March 2009, during which EBITDA was £225 million, a solid result in very difficult trading conditions. Adjusted to take account of the timing of Easter and the reduction in the number of pubs in the estate, the decline in EBITDA per pub is around 10% and net income per pub is down by 8%, in line with the figures reported at the time of our AGM on 22 January 2009.

The Board continues to focus on the Group's debt reduction programme in order to maximise our flexibility when refinancing our bank facility which matures in May 2011. As part of this plan, and despite the solid operating and financial performance of the business, the Board has decided not to pay an interim dividend (2008: 5.8p).

Trading

Trading conditions across the pub industry continue to be very challenging, against the well publicised background of the current recession, weak consumer confidence and the resulting reduction in discretionary spending. The Government continues to increase alcohol duties materially above the rate of inflation, which does little to tackle the problem of irresponsible drinking whilst undermining the livelihood of every licensee, putting jobs at risk across the industry and increasing the tax burden on every responsible pub goer.

It is a tribute to the hard work and determination of the vast majority of our licensees and the high quality of the ETI pub estate that most of our pubs are trading profitably, albeit at levels below last year and helped in many cases by additional support from the Company. During the period we have achieved a significant reduction in the number of closed pubs and it is encouraging that there are still around 82% of our pubs let on substantive agreements.

Continuing support activity

Supporting good quality licensees has, of course, come at a cost to ETI, and we continue to provide those who are genuinely struggling with financial assistance through special discounts and rent concessions amounting to £1.4 million per month. The impact on EBITDA in the first half was around £8 million, compared to £3 million for the first half last year. In addition, and for the benefit of all licensees, we froze prices in February on five key lager and ale brands. This concession, which we have agreed to continue until the beginning of July this year, is costing in the region of an additional £0.7 million per month.

We have also introduced a new temporary management agreement (TMA), allowing us to take immediate control of failed pubs and move them quickly through a refurbishment and relaunch programme to a condition where they can be relet on substantive agreements. At the end of March there were 134 pubs operating under this scheme, more than a third of them already available to be relet. The TMA programme, although costing £3 million in the first half as a result of set up and running costs since inception in November 2008 is an excellent tool which allows the team to deal with businesses which have been run down by underperforming licensees and restore them to profitability and lettability.

Chairman's Interim Statement (continued)

Whilst offering assistance to good quality licensees who are prepared to work with us, we have also incurred additional costs of some £5 million during the first half, through lost sales, non payment of rent, reopening costs and legal fees, in order to remove poor quality and underperforming licensees. There is clear evidence that, whilst expensive in the short-term, this is vital for the long-term health of the pub estate and our business.

Pub estate

A great strength of ETI is the simplicity and transparency of the balance sheet. We own the freehold of 98% of our pubs, have just 183 short leaseholds and total lease rents payable are approximately £3 million a year.

Pub quality is a critical factor in the success of our business, attracting the finest licensees and giving them the best opportunity to develop a profitable business. In the first half, whilst we have for the time being halted our pub acquisition programme, we have continued to invest in our estate, spending £23 million, alongside our licensees, to improve the quality, profitability and long-term potential of our pubs.

At the same time, and in line with our strategy of constantly seeking to improve the average quality of our pub estate, we have focused resources on disposing of poorer quality or potentially unviable pubs which do not fit the profile of our business. During the first half, we disposed of 151 pubs, together with various other plots of land for a total consideration of £44 million, 7% above book value. These sales generated a profit over book value of £1 million net of disposal costs. During the full year to 30 September 2008, the EBITDA of these pubs was £3.5 million. In the six weeks since the end of the half year, total proceeds for the year to date have increased to £53 million, with 187 pubs now sold and a further forty contracted for sale at prices which continue to be in line with book value.

In the light of perceived changes in property values over recent months, the Board decided to carry out an internal valuation of the pub estate at the half year. This valuation was carried out by our qualified in-house team and was based on evidence available in the market, supported by informal discussions with our independent valuers. As a result of this review the pub estate, excluding assets held for sale, has been reduced in value by £195 million, or 3.5% (see note 9). At 31 March 2009 the estate consisted of 7,616 pubs valued at £5.6 billion which equates to an average value of approximately £740,000 per pub.

Financing

ETI has a flexible financing structure comprising securitised bonds, corporate bonds and bank debt. There have recently been a number of rating downgrades across the industry affecting both the securitised and corporate bonds, most of which are trading at a substantial discount. None of the downgrades has implications for the ETI business in terms of covenants or costs to the business.

The £1.6 billion securitised bonds offer secure long-term financing to the Group on attractive terms. The bonds amortise at an average of around £70 million per year over the next 23 years and attract a fixed rate of interest of approximately 6.5% until final maturity. ETI is currently £85 million ahead of the amortisation schedule and the Board is confident that there are no covenant or cash trap issues which could adversely affect the Group.

The £1.2 billion corporate bonds are non-amortising and attract a weighted average interest rate of 6.5%. Scheduled maturities are £60 million in 2014, £600 million in 2018, £125 million in 2021, £125 million in 2025 and the balance of £275 million in 2031. Again, the Board consider these bonds to be attractive long-term financing for the Group. Annual value and income covenants for each bond are satisfied through the introduction of additional pubs into the relevant security package, if required.

The bank facility of £1 billion attracts interest at 80 basis points over LIBOR and is due for renewal in 2011. In February this year we held detailed discussions with all the members of our banking group and, based on these discussions and input from our advisers, we are confident that adequate banking facilities will be available to the Group at the time of our refinancing.

In the meantime, the debt reduction programme remains on track, with cash generation running in line with our expectations and encouraging progress on pub disposals.

The Enterprise Inns business model

For many decades, the tied leased and tenanted business model has provided a low cost of entry to the pub industry for committed, entrepreneurial licensees who are unable to afford to buy a pub of their own. The tied system applies to almost half the pubs in the country, whether owned by pub companies, regional or family brewers and provides an attractive mix of low fixed cost rent with a variable beer margin which reflects the sales performance of the pub, thus aligning the interests of the licensee and the pub owner, both of whom want the pub to be successful.

This model is once again under scrutiny, with the Business and Enterprise Committee reviewing the impact of the 2004 Trade and Industry Select Committee recommendations (TISC 2004). Since 1987, the principle of the tie has been the subject of formal enquiries and decisions no fewer than fourteen times in the UK and four times in Europe and on each occasion has been found to be fit for purpose.

A tied tenant pays substantially less rent, expressed as a percentage of turnover, than a free of tie tenant and in return is required to source beer and cider, gaming equipment and in some cases other wet goods, from ETI at prices which may be higher than those available in the open market. No other goods or services are subject to the tie.

Chairman's Interim Statement (continued)

Lower rents and the wide range of other support, advice and assistance available to tied licensees are designed to offset the additional costs of purchasing those goods which are subject to the tie. As noted in the conclusions to TISC 2004, there are significant advantages for tied tenants and "the immediately quantifiable cost of the tie is usually balanced by the benefits available to tenants".

Real Estate Investment Trusts (REITs)

At the time of the recent Budget, HMRC announced that the REIT legislation will be amended to prevent groups from artificially restructuring to create corporate structures with intermediate leases which would allow them to enter the REIT regime. At the same time, section 98 (Tied Premises) will be disapplied.

Subject to further review of the details of the Finance Bill and relevant regulations, which are currently in draft, and their application by HMRC, our advisers expect that ETI should be able to become a REIT at some time in the future if the Board considers it to be in the best interest of shareholders.

Current trading and outlook

The six weeks since 31 March have seen steady trading, with reasonable weather over the Easter period giving many licensees a welcome uplift in trade. We expect trading conditions to be challenging through the second half of the year but, whilst cautious, we remain confident in our strategy and in our ability to deliver results for the full year in line with our expectations.

We intend to issue an Interim Management Statement on 15 July 2009.

H V Reid
Chairman
12 May 2009

Group Income Statement

	Notes	Pre-exceptional items £m	Exceptional items £m	Total £m
		Unaudited Six months ended 31 March 2009		
Revenue		404	—	404
Cost of sales		(159)	—	(159)
Gross profit		245	—	245
Administrative expenses		(20)	—	(20)
EBITDA*		225	—	225
Depreciation and amortisation		(5)	—	(5)
Group operating profit		220	—	220
Net profit on sale of property, plant and equipment	3	—	1	1
Movements in valuation of pub estate	4	—	(54)	(54)
Interest receivable		2	—	2
Interest payable		(119)	—	(119)
Movement in fair value of financial instruments	5	—	(41)	(41)
Total finance costs		(119)	(41)	(160)
Profit before tax		103	(94)	9
Taxation	6, 7	(28)	19	(9)
Profit after tax and attributable to members of the parent company		75	(75)	—
Earnings per share				
Basic	8			—p
Diluted	8			—p
Adjusted†	8	15.1p		
Adjusted diluted†	8	15.0p		
Dividends				
Dividends paid and/or proposed per share in respect of the period				—p

* Earnings before interest, tax, depreciation and amortisation
† Excludes exceptional items

	Unaudited Six months ended 31 March 2008			Audited Year ended 30 September 2008		
	Pre-exceptional items £m	Exceptional items £m	Total £m	Pre-exceptional items £m	Exceptional items £m	Total £m
	438	—	438	880	—	880
	(166)	—	(166)	(336)	—	(336)
	272	—	272	544	—	544
	(16)	—	(16)	(32)	(2)	(34)
	256	—	256	512	(2)	510
	(4)	—	(4)	(8)	—	(8)
	252	—	252	504	(2)	502
	—	1	1	—	2	2
	—	(2)	(2)	—	(53)	(53)
	4	—	4	7	—	7
	(124)	—	(124)	(248)	—	(248)
	—	(9)	(9)	—	(1)	(1)
	(124)	(9)	(133)	(248)	(1)	(249)
	132	(10)	122	263	(54)	209
	(36)	16	(20)	(68)	48	(20)
	96	6	102	195	(6)	189
			20.5p			38.0p
			20.4p			37.9p
	19.3p			39.2p		
	19.2p			39.1p		
			5.8p			16.2p

Group Statement of Recognised Income and Expense

	Unaudited Six months ended 31 March 2009 £m	Unaudited Six months ended 31 March 2008 £m	Audited Year ended 30 September 2008 £m
Unrealised (deficit)/surplus on revaluation of licensed estate	**(149)**	—	121
Movement in deferred tax liability relating to revalued pub estate	**37**	8	(15)
Write down of assets held for sale	**(3)**	—	(4)
Movement in cash flow hedges	**(25)**	(7)	(5)
Deferred tax relating to movement in cash flow hedges	**7**	2	1
Actuarial loss on defined benefit pension scheme	**—**	—	(4)
Deferred tax relating to movement on defined benefit pension scheme	**—**	—	1
Tax relating to share schemes recognised directly in equity	**(1)**	(2)	(5)
Net (expense)/income recognised directly in equity	**(134)**	1	90
Profit for the period	**—**	102	189
Total recognised income and expense for the period attributable to members of the parent company	**(134)**	103	279

Statement of Changes in Equity

	Unaudited Six months ended 31 March 2009 £m	Unaudited Six months ended 31 March 2008 £m	Audited Year ended 30 September 2008 £m
Total equity at start of period	**1,678**	1,483	1,483
Total recognised income and expense for the period	**(134)**	103	279
Equity dividends paid	**(52)**	(52)	(81)
Cancellation of ordinary shares	—	(29)	(29)
Change in provision for share buybacks	—	22	21
Employee share option entitlements exercised in the period	—	(1)	2
Directors' share option entitlements exercised in the period	—	—	1
Share-based expense recognised in operating profit	—	2	2
Total equity at end of period	**1,492**	1,528	1,678

Group Balance Sheet

	Note	Unaudited 31 March 2009 £m	Restated* Unaudited 31 March 2008 £m	Audited 30 September 2008 £m
Non-current assets				
Goodwill		**417**	417	417
Intangible assets: operating lease premiums		**17**	19	18
Property, plant and equipment	9	**5,588**	5,746	5,859
Pension scheme		**—**	2	—
Financial assets		**—**	—	2
		6,022	6,184	6,296
Current assets				
Assets held for sale		**16**	9	11
Trade and other receivables		**75**	92	77
Cash		**103**	91	98
Financial assets		**—**	1	1
		194	193	187
Non-current assets held for sale	10	**55**	24	11
Total assets		**6,271**	6,401	6,494
Current liabilities				
Trade and other payables		**(203)**	(227)	(209)
Current tax payable		**(32)**	(48)	(41)
Financial liabilities		**(135)**	(11)	(36)
		(370)	(286)	(286)
Non-current liabilities				
Financial liabilities		**(3,772)**	(3,890)	(3,832)
Accruals and deferred income		**(3)**	(4)	(4)
Provisions		**(3)**	(3)	(3)
Deferred tax		**(630)**	(690)	(690)
Pension scheme		**(1)**	—	(1)
		(4,409)	(4,587)	(4,530)
Total liabilities		**(4,779)**	(4,873)	(4,816)
Net assets		**1,492**	1,528	1,678
Equity				
Called up share capital		**14**	14	14
Share premium account		**486**	486	486
Revaluation reserve		**1,078**	1,103	1,195
Capital redemption reserve		**11**	11	11
Merger reserve		**77**	77	77
Treasury share reserve		**(227)**	(227)	(227)
Other reserve		**(25)**	(30)	(28)
Cash flow hedge reserve		**(18)**	(1)	—
Profit and loss account		**96**	95	150
Enterprise Inns shareholders' equity		**1,492**	1,528	1,678

* See note 2.

Group Cash Flow Statement

	Unaudited Six months ended 31 March 2009 £m	Unaudited Six months ended 31 March 2008 £m	Audited Year ended 30 September 2008 £m
Cash flow from operating activities			
Operating profit	**220**	252	502
Depreciation and amortisation	**5**	4	8
Share-based expense recognised in profit	**—**	2	2
Decrease/(increase) in receivables	**2**	(7)	8
(Decrease)/increase in payables	**(14)**	20	19
Increase in current assets held for sale	**(6)**	(1)	(3)
	207	270	536
Tax paid	**(34)**	(43)	(77)
Net cash flows from operating activities	**173**	227	459
Cash flows from investing activities			
Payments to acquire public houses	**(3)**	(32)	(48)
Payments made on improvements to public houses	**(23)**	(37)	(68)
Payments to acquire other property, plant and equipment	**(1)**	(1)	(2)
Receipts from sale of property, plant and equipment	**42**	12	30
Net cash flows from investing activities	**15**	(58)	(88)
Cash flows from financing activities			
Interest paid	**(110)**	(105)	(253)
Interest received	**2**	3	7
Issue costs of long-term loans	**—**	(1)	(1)
Equity dividends paid	**(52)**	(52)	(81)
Payments to acquire own shares	**—**	(33)	(33)
Receipts from exercise of share options	**—**	1	2
Debt due in less than one year			
— new short-term loans	**107**	157	202
— repayment of short-term loans	**(38)**	(188)	(237)
Debt due beyond one year			
— new long-term loans	**79**	100	448
— repayment of long-term loans	**(171)**	(50)	(417)
Net cash flows from financing activities	**(183)**	(168)	(363)
Net increase in cash	**5**	1	8
Cash at start of period	**98**	90	90
Cash at end of period	**103**	91	98

Reconciliation of Net Cash Flow to Movement in Net Debt

	Unaudited Six months ended 31 March 2009 £m	Unaudited Six months ended 31 March 2008 £m	Audited Year ended 30 September 2008 £m
Increase in cash in the period	**5**	1	8
Cash outflow/(inflow) from change in debt	**23**	(19)	4
Issue costs of new long-term loans	**—**	1	1
Change in net debt resulting from cash flows	**28**	(17)	13
Amortisation of issue costs and discounts/premiums on long-term loans	**(1)**	(1)	(2)
Amortisation of securitised bonds	**2**	2	5
Change in fair value of interest rate swaps	**(66)**	(16)	(6)
Change in provision for share buybacks	**—**	21	21
Movement in net debt in the period	**(37)**	(11)	31
Net debt at start of period	**(3,767)**	(3,798)	(3,798)
Net debt at end of period	**(3,804)**	(3,809)	(3,767)

Analysis of Net Debt

	Unaudited Six months ended 31 March 2009 £m	Restated* Unaudited Six months ended 31 March 2008 £m	Audited Year ended 30 September 2008 £m
Corporate bonds	**(1,185)**	(1,185)	(1,185)
Bank borrowings	**(908)**	(1,004)	(1,000)
Cash	**18**	(3)	8
Parent Company net debt	**(2,075)**	(2,192)	(2,177)
Voyager Pub Group Limited secured bank borrowings	**(100)**	(50)	(31)
Unique Pub Properties Limited securitised bonds	**(1,586)**	(1,586)	(1,586)
Cash	**85**	94	90
Underlying net debt	**(3,676)**	(3,734)	(3,704)
Capitalised debt issue costs	**16**	18	17
Fair value adjustments on acquisition of bonds	**(55)**	(60)	(57)
Fair value of interest rate swaps	**(85)**	(29)	(19)
Finance lease payables	**(4)**	(4)	(4)
Net debt	**(3,804)**	(3,809)	(3,767)
Balance sheet:			
Current financial assets	**—**	1	1
Non-current financial assets	**—**	—	2
Current financial liabilities	**(135)**	(11)	(36)
Non-current financial liabilities	**(3,772)**	(3,890)	(3,832)
Cash	**103**	91	98
Net debt	**(3,804)**	(3,809)	(3,767)

* See note 2.

Underlying net debt represents amounts repayable to banks and other lenders net of cash retained in the business.

Notes to the Unaudited Interim Results

1. Publication of non-statutory accounts

The financial information contained in this interim statement, which is unaudited, does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The figures for the year ended 30 September 2008 are based on the statutory accounts for that year. These accounts, upon which the auditors issued an unqualified opinion, have been delivered to the Registrar of Companies.

2. Accounting policies

These interim results have been prepared in accordance with the International Financial Reporting Standards (IFRS) and accounting policies set out in the 30 September 2008 Annual Report and Accounts.

This interim report has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34 'Interim Financial Reporting'.

The Balance Sheet for the period ended 31 March 2008 has been adjusted in respect of the presentation of interest rate swap fair values. An amendment to IAS 1 'Presentation of Financial Statements' requires financial liabilities not held for trading to be presented as current or non-current on the basis of settlement date. Previously, all interest rate swaps that were not designated as part of an effective hedging relationship were presented as current liabilities. This has resulted in a reduction of current liabilities of £23 million with a corresponding increase in non-current liabilities.

The Group has elected to classify certain items as exceptional and present them separately on the face of the Income Statement. Exceptional items are classified as those which are separately identified by virtue of their size or nature to allow a full understanding of the underlying performance of the Group and are explained further in notes 3 to 6 below.

3. Net profit on sale of property, plant and equipment

	Unaudited Six months ended 31 March 2009 £m	Unaudited Six months ended 31 March 2008 £m	Audited Year ended 30 September 2008 £m
Profits on sale of property, plant and equipment	**9**	5	11
Losses on sale of property, plant and equipment	**(8)**	(4)	(9)
	1	1	2

In the period 151 pubs and various other plots of land with a book value of £41 million were sold generating gross proceeds of £44 million which, after taking account of disposal costs, resulted in an overall profit of £1 million.

A total of 67 pub disposals realised a profit over book value and generated gross proceeds of £26 million, whilst the remaining 84 pub disposals generated gross proceeds of £18 million but were sold below book value.

Notes to the Unaudited Interim Results

4. Movements in valuation of pub estate

	Unaudited Six months ended 31 March 2009 £m	Unaudited Six months ended 31 March 2008 £m	Audited Year ended 30 September 2008 £m
Movements from revaluation of pub estate	**(46)**	–	(51)
Write down of non-current assets held for sale to fair value less costs to sell	**(8)**	(2)	(2)
	(54)	(2)	(53)

An internal valuation of the entire pub estate has been carried out at the period end. The result of the valuation is that the pub estate, excluding assets held for sale, has fallen by £195 million. Of this write-down, an amount of £149 million has been charged to the revaluation reserve and £46 million has been charged to the Income Statement as an exceptional item, reflecting pub values which have fallen below historic cost.

In addition, there are 173 pubs included within non-current assets held for sale which have been recorded at the lower of book value or fair value less disposal costs. Overall, these pubs are expected to generate a profit on disposal. However in line with accounting standards the Group has recognised a forecast loss of £8 million on 75 pubs expected to be sold below book value.

5. Movement in fair value of financial instruments

Interest rate swaps are revalued to fair value at each Balance Sheet date and the movement is recognised in the Income Statement unless hedge accounting is applied. The movement in the fair value of interest rate swaps where hedge accounting is not applied is shown as an exceptional item.

The Group has five interest rate swaps which expire between 2011 and 2013. The fair value of these interest rate swaps is a liability of £85 million at 31 March 2009 and was a liability of £19 million at 30 September 2008. Of the movement of £66 million in the period £41 million has been accounted for in the Income Statement and £25 million has been accounted for in the cash flow hedge reserve. The movement in the cash flow hedge reserve is offset by a £7 million deferred tax credit.

The movement has occurred because of falling forecast interest rates that are used to value the interest rate swaps. The average forecast 3 month LIBOR interest rates that have been used to value the interest rate swaps were 2.5% at 31 March 2009 and 5.2% at 30 September 2008. The movement in the fair value of interest rate swaps has no cash effect.

Notes to the Unaudited Interim Results

6. Exceptional Taxation

Under IFRS, a deferred tax liability has been recognised on the Balance Sheet relating to the pub estate. On transition to IFRS, the Group elected to apply IFRS 3 retrospectively to acquisitions from 1 January 1999 which led to an increase in goodwill in respect of this deferred tax of £330 million. In previous years this pre-acquisition liability has reduced due to capital gains indexation relief, and a credit has been recognised in the Income Statement.

The exceptional tax charge relating to indexation relief of £7 million for the six months is calculated based on a forecast of the annual movement in the Retail Price Index (RPI) to 30 September 2009. Up until 30 September 2008 RPI had been increasing. However in the period to 30 September 2009 the movement in the index is forecast to be negative.

This charge of £7 million has been classified as an exceptional item due to its size and because it does not relate to any income or expense recognised in the Income Statement in the same period. All other movements in respect of this deferred tax liability are accounted for in equity and recognised in the Statement of Recognised Income and Expense.

A deferred tax credit of £26 million has been recognised in relation to the movement in fair value of interest rate swaps, movement on the revaluation of the estate recorded in the Income Statement and profit on sale of property, plant and equipment. The total exceptional tax credit is therefore £19 million.

7. Taxation

The pre-exceptional tax charge of £28 million for the six months equates to an effective tax rate of 27.2% which is estimated to be the tax rate for the year ended 30 September 2009. The effective tax rate does not include the effect of exceptional items.

8. Earnings per Ordinary Share

The basic earnings per ordinary share is based on nil earnings after exceptional items (2008 six months: earnings of £102 million, full year: earnings of £189 million) and on 497.6 million (2008 six months: 497.8 million, full year: 497.4 million) ordinary shares being the weighted average number of equity shares in issue during the period excluding shares held by trusts relating to employee share options.

Adjusted earnings per share, which the directors believe reflects the underlying performance of the Group, is based on earnings adjusted for the effects of exceptional items, net of tax, of £75 million (2008 six months: earnings of £96 million, full year: earnings of £195 million) and on 497.6 million (2008 six months: 497.8 million, full year: 497.4 million) shares being the weighted average number of equity shares in issue during the period excluding shares held by trusts relating to employee share options.

The diluted earnings per share is based on nil earnings after exceptional items (2008 six months: earnings of £102 million, full year: earnings of £189 million) and adjusted earnings of £75 million (2008 six months: earnings of £96 million, full year: earnings of £195 million) and on 499.6 million (2008 six months: 501.2 million, full year: 498.4 million) shares being the weighted average number of equity shares in issue during the period adjusted for the dilutive ordinary shares relating to employee share options.

Notes to the Unaudited Interim Results

9. Property, plant and equipment

	Licensed land and buildings £m	Landlords' fixtures and fittings £m	Other assets £m	Total £m
Cost or valuation				
At 1 October 2008	5,657	195	33	5,885
Additions	14	10	1	25
Revaluation:				
— Recognised in the Statement of Recognised Income and Expense	(149)	—	—	(149)
— Recognised in the Income Statement	(46)	—	—	(46)
Write-down to fair value less costs to sell:				
— Recognised in the Statement of Recognised Income and Expense	(3)	—	—	(3)
— Recognised in the Income Statement	(8)	—	—	(8)
Net transfers to non-current assets held for sale	(79)	(7)	—	(86)
At 31 March 2009	**5,386**	**198**	**34**	**5,618**
Depreciation				
At 1 October 2008	8	12	6	26
Charge for the period	2	2	1	5
Net transfers to non-current assets held for sale	(1)	—	—	(1)
At 31 March 2009	**9**	**14**	**7**	**30**
Net book value				
At 31 March 2009	**5,377**	**184**	**27**	**5,588**
At 31 March 2008	5,553	165	28	5,746
At 30 September 2008	5,649	183	27	5,859

In previous years the pub estate has been valued annually as at 30 September, without the need for an interim valuation. The view of the Board, which has been confirmed by external valuers, is that there has been a general downward movement in pub values which has been more significant towards the bottom end of the quality scale.

Consequently, the Board decided that an internal valuation of the entire estate should be carried out in line with existing accounting policies and based on a methodology consistent with previous valuation exercises. The result of the valuation is that the pub estate has been reduced in value by £195 million, representing 3.5% of the net book value of licensed land and buildings at 30 September 2008. Of the total write-down of £195 million an amount of £149 million has been charged to the revaluation reserve and £46 million has been charged to the Income Statement as an exceptional item, reflecting pub values which have fallen below historic cost.

Notes to the Unaudited Interim Results

10. Non-current assets held for sale

	Unaudited Six months ended 31 March 2009 £m	Unaudited Six months ended 31 March 2008 £m	Audited Year ended 30 September 2008 £m
At 1 October 2008	**11**	11	11
Net transfer from property, plant and equipment	**85**	20	22
Disposals	**(41)**	(7)	(22)
At 31 March 2009	**55**	24	11
Representing:			
Property, plant and equipment	**55**	23	11
Intangible assets: operating lease premiums	**—**	1	—
	55	24	11

When assets are identified for disposal they are reclassified from property, plant and equipment to non-current assets held for sale and they are valued at the lower of book value and fair value less costs to sell. At the end of the period non-current assets held for sale includes 173 pubs which are expected to be sold within the next year.

11. Related party transactions

There have been no related party transactions during the period.

12. Commitments for the purchase of property, plant and equipment

At 31 March 2009, the Group had entered into contractual commitments to purchase £9 million (31 March 2008: £32 million) of property, plant and equipment.

13. Seasonality of operations

The business is subject to minor seasonal fluctuations dependant on public holidays and the weather.

Statement of Directors' Responsibilities

The directors confirm to the best of their knowledge that this condensed set of financial statements has been prepared in accordance with IAS 34, as adopted by the European Union, and that the interim management report herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8.

By order of the Board

Ted Tuppen
Chief Executive
11 May 2009

David George
Chief Financial Officer
11 May 2009

Independent Review Report to Enterprise Inns plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2009 which comprises Group Income Statement, Group Statement of Recognised Income and Expense, Statement of Changes in Equity, Group Balance Sheet, Group Cash Flow Statement, Reconciliation of Net Cash Flow to Movement in Net Debt, Analysis of Net Debt, and the related notes 1 to 13. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in the International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with ISRE 2410 (UK and Ireland). A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Ernst & Young LLP
Birmingham

11 May 2009

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Interim Report 2009

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