

12 May 2009

**Unaudited Interim Results of Enterprise Inns plc
for the six months ended 31 March 2009**

Enterprise Inns plc (ETI), the leading specialist operator of leased and tenanted pubs in the UK, today announces its interim results for the six months ended 31 March 2009.

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.

Commenting on the results, Ted Tuppen, Chief Executive said:

“In the face of very challenging trading conditions across the pub sector, these are solid results which reflect the quality of the Enterprise Inns pub estate, the skills and determination of the Enterprise Inns team and the resilience of the leased and tenanted pub model.

The majority of our licensees continue to trade successfully during these difficult times and benefit from the advice and support that we deliver. Despite the financial cost to our business, we believe it is right to continue to provide substantial direct financial assistance, amounting to £1.4 million per month, to help deserving licensees during this severe recession.

We have a robust balance sheet, a secure and flexible debt structure and we continue to generate strong operating cash flows, bolstered by our successful programme to dispose of underperforming and non-core assets.

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.”

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The Interim Results presentation will be available on the company website at www.enterpriseinns.com. A live video webcast of the presentation will be available on the investor zone section on the above website from 9.30am. Alternatively, a live conference call of the presentation can be accessed at 9.30am BST by dialling +44 (0)800 3587034 or 1866 388 1925 (USA callers). A replay of the conference call will be available for 7 days on +44 (0)800 358 2189, 1866 676 5865 (USA) Replay Passcode: 262094#.

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 lettable.

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 focussed 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 £3.5m. 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.

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 15th July 2009.

H V Reid
Chairman
12 May 2009

Group Income Statement

	Notes	Unaudited Six months ended 31 March 2009			Unaudited Six months ended 31 March 2008			Audited Year ended 30 September 2008		
		Pre- exceptional items	Exceptional items	Total	Pre- exceptional items	Exceptional items	Total	Pre- exceptional items	Exceptional items	Total
		£m	£m	£m	£m	£m	£m	£m	£m	£m
Revenue		404	-	404	438	-	438	880	-	880
Cost of sales		(159)	-	(159)	(166)	-	(166)	(336)	-	(336)
Gross profit		245	-	245	272	-	272	544	-	544
Administrative expenses		(20)	-	(20)	(16)	-	(16)	(32)	(2)	(34)
EBITDA *		225	-	225	256	-	256	512	(2)	510
Depreciation and amortisation		(5)	-	(5)	(4)	-	(4)	(8)	-	(8)
Group operating profit		220	-	220	252	-	252	504	(2)	502
Net profit on sale of property, plant and equipment	3	-	1	1	-	1	1	-	2	2
Movements in valuation of pub estate	4	-	(54)	(54)	-	(2)	(2)	-	(53)	(53)
Interest receivable		2	-	2	4	-	4	7	-	7
Interest payable		(119)	-	(119)	(124)	-	(124)	(248)	-	(248)
Movement in fair value of financial instruments	5	-	(41)	(41)	-	(9)	(9)	-	(1)	(1)
Total finance costs		(119)	(41)	(160)	(124)	(9)	(133)	(248)	(1)	(249)
Profit before tax		103	(94)	9	132	(10)	122	263	(54)	209
Taxation	6,7	(28)	19	(9)	(36)	16	(20)	(68)	48	(20)
Profit after tax and attributable to members of the parent company		75	(75)	-	96	6	102	195	(6)	189
Earnings per Share										
Basic	8			-p			20.5p			38.0p
Diluted	8			-p			20.4p			37.9p
Adjusted^	8	15.1p			19.3p			39.2p		
Adjusted diluted^	8	15.0p			19.2p			39.1p		
Dividends										
Dividends paid and/or proposed per share in respect of the period				-p			5.8p			16.2p

* Earnings before interest, tax, depreciation and amortisation

^ Excludes exceptional items

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 (defecit)/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

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.

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.

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 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.

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)
	<hr/> (54) <hr/>	<hr/> (2) <hr/>	<hr/> (53) <hr/>

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 resale, 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.

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 497.6m (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.

9. Property, plant and equipment

	Licensed land and buildings	Landlords' fixtures and fittings	Other assets	Total
	£m	£m	£m	£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	(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	(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.

10. Non-current assets held for sale

	Unaudited Six months ended 31 March 2009	Unaudited Six months ended 31 March 2008	Audited Year ended 30 September 2008
	£m	£m	£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