22 November 2005

ENTERPRISE INNS PLC
PRELIMINARY ANNOUNCEMENT
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2005

	2005	2004	Increase
Operating profit before exceptional items	£520.2m	£402.7m	29%
Profit before tax and exceptional items	£305.6m	£231.2m	32%
Adjusted earnings per share *	63.2p	47.5p	33%
Dividends	18.0p	12.0p	50%

* *Excludes exceptional items and goodwill amortisation.*

- Average operating profit per pub increased by 8% in the year over the proforma average for the prior year.
- The quality of the pub estate has been improved through the acquisition of 21 individual pubs and the disposal of 158 pubs. In addition, the Group has invested over £50 million of capital and revenue expenditure into the pub estate.
- At 30 September 2005 the estate comprised 8,590 pubs valued at £5.2 billion.
- Cash generated after interest, tax, dividends and capital expenditure amounted to £137 million.
- At 30 September 2005 proforma net debt was £3,121 million, a reduction of £157 million in the year.

Ted Tuppen, Chief Executive, commented:

This is an excellent set of results. We are pleased to have delivered another year of strong growth from continuing to drive improvements in the profitability of our high quality pub estate.

We have grown our market share and profitability in a market which remains highly competitive. The team has successfully managed the integration of the Unique estate while coping with the additional workload imposed as a result of licensing reform.

I'm confident that the Enterprise estate continues to provide many opportunities for profitable growth and strong cash generation and we expect further solid progress in the coming year.

Enquiries:

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The investor presentation will be available on the company website at www.enterpriseinns.com on Tuesday 22 November 2005. A live recording of the presentation can be accessed at 9.30am GMT by dialling +44 20 7162 0025. A recorded version will be available from 1200noon GMT on +44 20 7031 4064 passcode 698287 (for European callers) or +1 954 334 0342, passcode 698287 (for US callers).

RESULTS

2005 has been another good year of consolidation and progress for Enterprise Inns. Operating profit before exceptional items increased by 29% to £520.2 million, driven by growth in average operating profit per pub of 8% and the successful integration of the Unique business which was acquired in March 2004.

Adjusted earnings per share increased by 33% to 63.2p, rounding off a ten year run since Enterprise floated on the London Stock Exchange in 1995 which has delivered compound annual growth in earnings per share of more than 30%.

DIVIDEND

The Directors are recommending a final dividend of 12.4 pence per share, making a total for the year of 18.0 pence, an increase of 50% over the prior year with an adjusted EPS cover of 3.5 times. The final dividend will be payable on 23 January 2006, to members on the register on 30 December 2005.

The Board has reviewed the Company's dividend policy for 2005/6 and future years and believes that, taking account of the level of Group borrowings, it is appropriate to maintain future dividend cover of between 2.5 and 3.0 times earnings. Consequently it envisages increasing dividend payments in 2005/6 to move within these parameters and thereafter intends to increase dividends broadly in line with the growth in earnings per share.

Free cash inflow after interest, tax, dividend payments and capital expenditure amounted to £137 million in the year. Along with proceeds from pub disposals this facilitated a reduction in gross borrowings, net of cash, of £157 million in the year. At the year-end pro-forma net debt was £3.1 billion, with interest costs 100% fixed at an average rate of 6.9% for an average life of 14 years.

SHARE BUY-BACK PROGRAMME

The Group's strategy remains focused on building shareholder value through investment in the development of its licensed estate and the optimum use of the strong and predictable cash flows which are generated from the predominantly freehold pub estate. The Board's policy is to maintain efficient leverage of the balance sheet in the context of the level of profit generated and the valuation of the pub estate. It is intended to commence a rolling share buy-back programme to return surplus cash to shareholders and to ensure that the balance sheet remains efficient. There is authority to purchase up to 14.99% of the issued share capital and the Board anticipates purchasing shares to the value of at least £200 million during the current financial year.

CONVERSION TO IFRS REPORTING

As required by EC regulations and in common with all other listed companies, Enterprise will adopt International Financial Reporting Standards (IFRS) as the basis of preparing its Group accounts from the financial year beginning in 2005. As such, this will be the last set of results that are reported using UK accounting standards. In April 2006 we plan to publish the opening transitional IFRS balance sheet as at 1 October 2004 and the 2005 interim and full year results re-stated under IFRS. This will include a reconciliation from the published UK GAAP results and a full explanation of all the changes that have been made. The first set of results to be reported using IFRS will be the interim results published in May 2006. There will be no impact on cash flows in the business or on our debt covenants.

PUB ESTATE

The Future is all about Quality

In a market where the pub goer is ever more discerning, where consumer discretionary spend is under pressure and where cheap alcohol is readily available in supermarkets, it is quality and service that count as the deciding factors in the long term success of any pub.

At Enterprise, we are committed to improving the quality of our pubs, investing alongside our licensees to develop their businesses, gain market share and unlock additional profits. During the year we invested £55 million of capital and revenue expenditure into the estate and, together with a similar level of expenditure by our licensees, have improved over 1,100 pubs, either through major schemes or minor refurbishments.

We continued to improve the quality of the estate through churn, buying 21 top quality pubs for a total consideration of £14 million and selling 158 underperforming sites for £47 million, recording a profit on disposal of £3 million. At 30 September 2005 our estate of 8,590 pubs was valued at £5.2 billion, reflecting a 5% increase in underlying pub values.

Since the beginning of the new financial year, we have purchased a further 34 pubs for £36 million and sold 14 for £7 million. We continue to review all acquisition opportunities as they arise, judging them against our strict quality, risk and return criteria and their ability to deliver long term enhancement in shareholder value.

Over the past year we have continued to see improvements in the quality, value and earnings potential of our pubs, with average operating profit per pub up by 8% to £60,100.

Quality leads to Profitability

A top quality estate generating sustainable profits for the benefit of our licensees and shareholders is clearly a long term aim of Enterprise and we continue to make steady progress along that route.

It is the link between the quality of our pubs, our operating profit and our licensees' profitability which is the key to our long term success. Running a pub is one of the most demanding jobs around, requiring great professional and people skills, boundless energy and enthusiasm and a willingness to work long hours. Against a backdrop of increasing underlying costs and the endless ability of government to impose yet more regulation and bureaucracy, the best licensees look for quality outlets that give them a chance to make a good return for their effort and investment. It is not just the quality of the pub itself which is important to the licensee, but the essential fairness of the overall package offered, especially the level of rent, the help and support given to licensees and the range of products offered.

In this latter regard, our licensees enjoy an unrivalled choice across the vast majority of beer brands available in the UK and we were delighted this year to extend our Society of Independent Brewer's cask ale scheme across the whole estate. Against a national decline in the availability and consumption of cask ales, we have worked with local and regional brewers to grow cask ale sales year on year, to a level where they now represent more than 13% of our beer volumes, against a national average estimated to be around 8%. These brands may not deliver the highest level of unit margin to Enterprise but they offer our licensees the chance to develop their businesses and give their customers the range of products that they seek.

As a result of our continuing commitment to ensuring that rental levels are fair, we are pleased that, once again, our estate leads the field in providing worthwhile returns for our hard working licensees. We estimate that the level of licensee profitability has increased by 5% during the year to an industry leading average of £42,000.

With input costs rising and consumer discretionary spend currently under some pressure, it is comforting to see that licensees recognise that the higher quality and profitability of our estate, together with the overall fairness of the package we offer, gives them the best possible chance to continue to be successful. As a result we are never short of good quality, fully funded applicants to take over pubs which become available for lease or tenancy. Once again, this is supported by improvements in certain key performance indicators:

- Our database has more than 900 fully funded applicants, four times the number of pubs available to let.
- An active lease assignment market has seen more than 600 businesses change hands during the year at an average lease premium of almost £70,000.
- Rent concessions at 30 September 2005 amounted to just 0.4% of rent roll;
- Over 1,100 rent reviews were completed during the year, with only two going through any form of arbitration, both of which were found in our favour;
- Bad debt costs for the year reduced once again, and remain under 0.2% of turnover.

We remain convinced that the leased and tenanted format offers an excellent low-cost opportunity for entrepreneurial licensees to run their own businesses. The Trade and Industry Select Committee looked at working practices within the tied-pub sector and concluded that, on the whole, they are fair and work well in the interest of all parties. In particular, we are pleased that the industry standard Code of Practice, recently issued by the British Beer and Pub Association, reflects practices and recommendations that have been the norm at Enterprise for a long time.

LEGISLATIVE BACKGROUND

Licensing reform

The past year has seen the industry get to grips with the substantial costs and workload arising from implementation of the Licensing Act 2003. The Enterprise team worked hard throughout the year to help licensees to develop their business operating plans and submit their applications. In the end, some 7500 of our pubs applied to extend their existing opening hours and the majority have been approved without difficulty. We do not anticipate a material increase in turnover and profitability arising from the additional hours, simply a greater flexibility to allow responsible licensees better to serve the needs of their customers.

Flexible opening hours have, however, become part of the debate surrounding binge drinking and anti social behaviour. Whilst it is convenient for government to point the finger of blame at pubs, in a few cases with justification, this is a debate which has far wider implications including education and personal responsibility, sensible advertising and promotions, the pricing and control of the sale of alcohol in supermarkets and effective policing and control of rogue outlets and individual drinkers. The vast majority of pubs are responsibly run by well trained and professional licensees. It is essential that the government and the police recognise that the problems are associated with a small minority of the population and continue to target those outlets and individuals who encourage or engage in anti social behaviour.

Smoking in public places

The government's approach to the control of smoking in pubs is causing uncertainty and concern across the industry. Whilst most would agree that smoking is unacceptable where food is being consumed, the key issue in this debate should be maintaining choice for consumers, whilst giving due consideration to health and safety and the protection of staff.

The reforms as currently proposed will force many pubs to choose between selling food in a smoke free environment or abandoning food and simply supplying drink to customers who would then be allowed to smoke. Furthermore some 20,000 clubs, many of which operate in direct competition to pubs, are to be exempt from the legislation under proposals that appear to take little account of the health and welfare of bar staff and club stewards.

The legislation as currently proposed will undoubtedly change and potentially damage the traditional British pub, often in rural or community surroundings, which survives by providing an all round service to its customers, a social meeting place to have a drink with friends and at the same time an excellent location for a good meal out, complementary activities vital both to the community and to the financial viability of the pub.

The industry had been working towards the same rules applying to all, with the objective being the cessation of smoking at the bar and the steady reduction in the space available for smokers in pubs, culminating in separately defined smoking rooms or outside spaces designated for customers who wish to smoke. We hope that through the consultation process we will return to a solution which is sensible for employees and consumers and which will not put many small community and rural pubs under pressure, with the resulting loss of jobs, tax revenues and amenity.

CONCLUSION & OUTLOOK

This has been another great year for Enterprise. Working alongside our licensees, we have seen growth in market share and profitability in a market which remains highly competitive and where rising costs and weakness in consumer confidence have presented special challenges.

The Enterprise team has successfully managed the integration of the Unique estate while coping with the additional workload imposed as a result of licensing reform. We have once again delivered substantial growth in earnings and dividends and we are now in a position to return surplus cash to shareholders through a rolling share buy back programme.

The new financial year has started well but we expect to see the opportunities arising from flexible opening hours tempered by continuing pressure on consumer discretionary spend. However, great pubs will always do well, whatever the economic backdrop. The Board is confident that the Enterprise estate continues to provide many opportunities for profitable growth and strong cash generation and we look forward to another year of solid progress.

GROUP PROFIT AND LOSS ACCOUNT
For the year ended 30 September 2005

	2005	2004
	£m	£m
Turnover	**919.9**	712.7
Cost of sales	**(387.3)**	(315.0)
Gross profit	**532.6**	397.7
Administrative expenses	**(44.6)**	(40.3)
Exceptional administrative expenses	**-**	(14.8)
Other operating income	**32.2**	26.3
Group operating profit	**520.2**	368.9
Share of operating profit of associate	**-**	19.0
Total operating profit	**520.2**	387.9
Net profit on disposal of tangible fixed assets	**2.7**	1.4
Profit on sale of associated undertaking	**0.2**	-
Profit on ordinary activities before interest and taxation	**523.1**	389.3
Bank interest receivable	**8.9**	9.5
Interest payable and similar charges	**(223.5)**	(181.0)
Exceptional interest payable and similar charges	**(4.6)**	(4.6)
	(219.2)	(176.1)
Profit on ordinary activities before taxation	**303.9**	213.2
Tax on profit on ordinary activities	**(92.1)**	(65.7)
Profit on ordinary activities after taxation and attributable to members of the parent company	**211.8**	147.5
Ordinary dividends on equity shares	**(61.4)**	(41.2)
Retained profit for the year	**150.4**	106.3
Earnings per share		
Basic	**61.9p**	43.0p
Adjusted†	**63.2p**	47.5p
Diluted	**61.1p**	42.3p

† excludes exceptional items and goodwill amortisation.

GROUP BALANCE SHEET
At 30 September 2005

	2005 £m	2004 £m
Fixed Assets		
Intangible assets	**75.3**	79.6
Tangible assets	**5,217.2**	4,931.8
Investments in associated undertakings	**-**	0.2
	5,292.5	5,011.6
Current Assets		
Assets held for resale	**7.1**	4.6
Debtors	**81.4**	85.7
Cash at bank and in hand	**95.5**	146.7
	184.0	237.0
Creditors: amounts falling due within one year	**(331.1)**	(309.4)
Net current liabilities	**(147.1)**	(72.4)
Total assets less current liabilities	**5,145.4**	4,939.2
Creditors: amounts falling due after more than one year	**(3,304.5)**	(3,509.2)
Provision for liabilities and charges	**(99.9)**	(73.7)
Net assets excluding pension liability	**1,741.0**	1,356.3
Pension liability	**(0.1)**	(2.7)
	1,740.9	1,353.6
Capital and reserves		
Called up share capital	**17.5**	17.5
Share premium account	**485.5**	485.5
Revaluation reserve	**810.0**	541.8
Capital redemption reserve	**7.6**	7.6
Merger reserve	**77.0**	77.0
Other reserve	**(55.6)**	(28.1)
Profit and loss account	**398.9**	252.3
Equity shareholders' funds	**1,740.9**	1,353.6

GROUP STATEMENT OF CASH FLOWS
For the year ended 30 September 2005

	2005 £m	2004 £m
Net cash inflow from operating activities	**522.9**	403.2
Return of investments and servicing of finance		
Interest received	**8.9**	13.1
Interest paid	**(244.0)**	(171.4)
Issue costs of long-term loans	**(1.9)**	(9.9)
	(237.0)	(168.2)
Taxation	**(52.8)**	(36.3)
Capital expenditure and financial investment		
Payments to acquire public houses	**(14.3)**	(12.9)
Payments made on improvements to public houses	**(48.8)**	(50.9)
Payments to acquire other fixed assets	**(0.8)**	(1.8)
Receipts from sales of tangible fixed assets	**47.0**	110.5
Payments to acquire shares held in employee benefit trusts	**(22.6)**	(24.3)
Receipts from exercise of employee options	**3.3**	-
	(36.2)	20.6
Acquisitions and disposals		
Purchase of subsidiaries	-	(247.4)
Net cash acquired with subsidiaries	-	191.3
Expenses of acquisition paid	-	(2.6)
	-	(58.7)
Equity dividends paid	**(47.9)**	(31.8)
Cash inflow before financing	**149.0**	128.8
Financing		
Issue of ordinary share capital	-	51.5
Share issue costs	-	(0.3)
Debt due within one year – new short-term loans	-	30.0
– repayment of short-term loans	-	(160.0)
Debt due beyond one year – new long-term loans	**770.9**	1,028.2
– repayment of long-term loans	**(971.1)**	(573.9)
Repayment of Deep Discount Bonds	-	(361.5)
	(200.2)	14.0
(Decrease)/increase in cash	**(51.2)**	142.8

NOTES TO THE ACCOUNTS
At 30 September 2005

1. Accounting Policies

Basis of preparation

The accounts are prepared under the historical cost convention as modified to include the revaluation of properties and have been prepared in accordance with applicable accounting standards. This is the same basis as used in last year's annual accounts.

2. Group statement of total recognised gains and losses

	2005	2004
	£m	£m
Profit for the financial year excluding share of associated undertakings	**211.8**	143.7
Share of profit in associated undertakings for the financial period	**-**	3.8
Profit for the financial year attributable to members of the parent company	**211.8**	147.5
Unrealised surplus on revaluation of licensed estate	**268.0**	133.3
Share of unrealised surplus on revaluation of licensed estate in associate	**-**	4.7
Actuarial gain/(loss) recognised in the defined benefit pension scheme	**1.3**	(0.7)
Movement of deferred tax asset related to pension scheme deficit	**(0.4)**	0.1
Total recognised gains and losses relating to the year	**480.7**	284.9

3. Reconciliation of net cash flow to movement in net debt

	2005	2004
	£m	£m
(Decrease)/increase in cash in the year	**(51.2)**	142.8
Cash outflow from change in net debt	**200.2**	37.1
Issue costs of new long-term loans	**1.9**	9.9
Change in net debt resulting from cash flows	**150.9**	189.8
Acquired with subsidiaries	-	(2,171.0)
Amortisation of issue costs and discounts/premiums on long-term loans	**(4.3)**	(4.0)
Amortisation of interest rate swaps	**17.7**	7.7
Provision against interest rate swaps	-	(2.5)
Write off of unamortised issue costs	**(4.6)**	(4.6)
Movement in net debt in the year	**159.7**	(1,984.6)
Net debt at 1 October	**(3,389.4)**	(1,404.8)
Net debt at 30 September	**(3,229.7)**	(3,389.4)

NOTES TO THE ACCOUNTS
At 30 September 2005

4. Reconciliation of shareholders' funds

	2005	2004
	£m	£m
Total recognised gains and losses	**480.7**	284.9
Dividends	**(61.4)**	(41.2)
	419.3	243.7
New share capital subscribed	**-**	0.5
Premium on issue of shares	**-**	50.7
Consideration paid for purchase of own shares	**(37.6)**	(24.3)
Proceeds received from exercise of employee share options	**3.3**	-
Share-based expense recognised in operating profit	**2.3**	1.6
Net addition to shareholders' funds	**387.3**	272.2
Opening shareholders' funds	**1,353.6**	1,081.4
Closing shareholders' funds	**1,740.9**	1,353.6

5. Dividends

	2005	2004
	£m	£m
Ordinary dividends on equity shares:		
Interim paid 5.6 pence (2004 – 3.6 pence)	**19.2**	12.5
Final proposed 12.4 pence (2004 – 8.4 pence)	**42.2**	28.7
	61.4	41.2

It is proposed that the ex-dividend date will be 28 December 2005.

6. Earnings per share

The calculation of basic earnings per ordinary share is based on earnings of £211.8m (2004 — £147.5m) and on 342,456,660 (2004 — 342,806,374) shares being the weighted average number of equity shares in issue during the year after 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 and goodwill amortisation of £216.4m (2004 — £163.0m) and on 342,456,660 (2004 — 342,806,374) shares being the weighted average number of equity shares in issue during the year after excluding shares held by trusts relating to employee share options.

NOTES TO THE ACCOUNTS
At 30 September 2005

7. Operating profit

Reconciliation of operating profit to net cash inflow from operating activities:

	2005	2004
	£m	£m
Operating profit	**520.2**	368.9
Depreciation and amortisation	**7.9**	6.1
Share-based expense recognised in operating profit	**2.3**	1.6
Decrease/(increase) in debtors	**5.3**	(7.3)
(Decrease)/increase in creditors	**(12.0)**	25.5
Increase in provisions	**1.7**	6.0
(Increase)/decrease in assets held for resale	**(2.5)**	2.4
Net cash inflow from operating activities	**522.9**	403.2

8. Status of Information

The above financial information does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The comparative financial information is based on the statutory accounts for the financial year ended 30 September 2004. Those accounts, upon which the auditors issued an unqualified opinion, have been delivered to the Registrar of Companies.