20 November 2007

Enterprise Inns plc
Preliminary announcement
For the financial year ending 30 September 2007

Enterprise Inns plc (ETI), the leading specialist operator of leased and tenanted pubs in the UK, today announces its results for the year ending 30 September 2007.

Results highlights

	2007	2006	Increase
Pro-forma EBITDA * #	£526m	£507m	3.7%
EBITDA*	£528m	£547m	
Profit before tax and exceptional items	£301m	£315m	
Earnings per share	53.4p	50.5p^	5.7%
Adjusted earnings per share +	39.6p	34.2p^	15.8%
Dividends	15.6p	13.5p^	15.6%

* Earnings before interest, tax, depreciation, amortisation and exceptional items
# Adjusted for the effects of the disposal of 769 pubs to Admiral Taverns in September 2006 and of the Scottish estate of 137 pubs in December 2006. See note 4.
+ Excludes exceptional items
^Restated for the sub-division of shares from 5 pence to 2.5 pence per share on 17 January 2007.

Other highlights

- At 30 September 2007 the estate comprised 7,763 pubs valued at £5.7 billion.
- The quality of the pub estate has been improved through the acquisition and disposal of pubs and capital expenditure of £75 million.
- Average EBITDA per pub has increased by 6.2% to £68,200.
- 102.9 million shares were repurchased during the year for consideration of £658 million (excluding costs).

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

"In a challenging year for ETI and our licensees, the team has worked successfully to improve the quality of the pub estate, grow licensee profitability and deliver substantial growth in earnings and dividends. The new financial year has started well, but we remain cautious about consumer confidence and the impact through the coming winter of the smoking ban. In spite of these uncertain conditions, we believe that the quality of our pub estate will deliver performance ahead of the market and that the team will deliver further solid growth in shareholder value."

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The Preliminary 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. Alternatively, a live recording of the presentation can be accessed at 9.30am GMT by dialling +44 (0) 20 7138 0835 or +1 718 354 1172 (USA callers) quoting passcode 9084120. A replay of the conference call will be available for 7 days on +44 (0) 20 7806 1970 , +1 718 354 1112 (USA) Replay Passcode:9084120#.

RESULTS
The year to 30 September 2007 has once again seen investment in enhancing the quality of the Enterprise Inns (ETI) estate and increasing earnings for our licensees and shareholders alike.

On a like for like basis, which excludes the impact of batch disposals, pro-forma EBITDA increased by 3.7% to £526 million. Profit before tax and exceptional items of £301 million resulted in adjusted earnings per share of 39.6p, an increase of 15.8% over the prior year. Accordingly, the Board is recommending an increase of 15.6% in the dividend paid to shareholders, giving a total for the year of 15.6 pence per share. Dividend cover based on adjusted earnings per share is 2.5 times. The final dividend of 10.4 pence will be payable on 21 January 2008 to shareholders on the register on 28 December 2007.

STRATEGY
ETI remains focused on the two key pillars of its business strategy: to be the leading specialist operator of leased and tenanted pubs in the UK and to deliver long term sustainable growth in shareholder value.

Our licensees have had a tough year. After a reasonable Christmas and New Year, the summer brought with it the challenges of the ban on smoking, miserable weather and extensive flooding and, latterly, a general deterioration in consumer confidence as a number of adverse economic factors created uncertainty in the minds of many consumers.

Through these testing times, the strength of the leased and tenanted partnership has continued to deliver steady results. We have worked closely with our licensees to create effective smoking solutions, sometimes through investment and always with encouragement, advice and support. The majority of our estate is now well positioned to manage the risks and opportunities that the ban has created, although we envisage that the ban will lead to a number of pub closures across the industry, particularly amongst lower quality, wet-led outlets. The poor summer weather was a disappointment for licensees, particularly those who invested heavily in gardens and outside spaces. The summer floods resulted in the temporary closure of 207 pubs, some for several months and it is a tribute to our licensees and to our team that they "rolled up their sleeves" and got on with sorting out and reopening their pubs. Consumer confidence appears to have been adversely affected by increases in taxation, interest rates, utility bills, food and fuel prices together with the uncertainties surrounding global financial markets. It is difficult to tell how this will impact on consumer behaviour over the next year, although caution would seem to be the watchword.

The resilience of our operating model has delivered good trading results in this testing year, with shareholder returns further enhanced by our commitment to returning cash to shareholders through our ongoing share buy-back programme, which saw ETI purchase for cancellation some 102.9 million shares during the year, representing 17% of the shares in issue (excluding treasury shares) at the beginning of the year.

TEAM
There have been a number of structural and personnel changes during the year, providing ever-improving services to our licensees and strengthening the team at every level to ensure that we are well positioned to meet the challenges of the business.

Our Associate Regional Manager programme has been particularly important, identifying and developing top quality candidates through a six month full time training programme to take on the key role of regional manager in the ETI estate. During the year, this award-winning programme has successfully trained and promoted eight candidates who are adding a strong new dimension to our field based teams.

Commitment, ownership and reward are vital ingredients in the motivation and retention of key staff and we are delighted that all senior managers and 91% of all employees with over two years service at ETI have some form of interest in ownership of the business, through direct share ownership, share options, Share Incentive Plans and Save As You Earn schemes. During the year, our Share Incentive Plan won two awards, one for the Best New

Share plan for a FTSE 100 company, another for Best Communication Programme for a company with up to 1000 employees.

ESTATE
The quality, value and profitability of the ETI estate have continued to improve during the year. Investment of £75 million (2006: £54 million) alongside a similar amount from our licensees, saw developments at almost 1,600 pubs, either through major schemes or minor refurbishments. Whilst much of this investment was initiated through business reviews addressing the challenges of the smoking ban, the end results reflect real improvements in the overall quality and profitability of the chosen pubs, whether through the creation of food offerings, accommodation or simply upgrading existing facilities for the benefit of customers.

In September 2006, we completed the sale of 769 pubs to Admiral Taverns, pubs which we had identified as not fitting our quality and profitability profile for the future. This was followed on 5 December 2006 by the sale of our entire Scottish estate of 137 pubs to Retail and Licensed Properties Limited for a consideration of £115 million which generated a profit over book value of £13 million. In addition, we sold 17 pubs and some surplus land for £13 million, generating a further profit of £9 million.

Our attention remained focused on the market for individual acquisitions, where our estates team have found a steady supply of top quality pubs, allowing ETI to purchase 108 great pubs during the year for a total consideration of £91 million. In the absence of value enhancing corporate transactions, we continue to view these individual acquisitions, generally at EBITDA multiples of around 10 times, as the best route to creating value for shareholders.

Core growth, complemented by our continuing policy of investment and churn has seen EBITDA per pub increase to £68,300 for the 7,763 pubs which we owned at 30 September 2007. The book value of the pub estate at the year end, valued on an individual pub by pub basis, increased to £5.7 billion, equivalent to an average value of £736,000 per pub.

As in previous years, our annual estates review is designed to form a view of the quality and sustainability of every pub in the estate. The past two years have seen the number of pubs with outside trading areas increase from 83% to 91%, pubs serving food increase from 81% to 88% and it is encouraging to see that the team continue to rank more than two thirds of our pubs as 'very good' or 'excellent'. The review did however identify that a number of our pubs have or may become unviable as a result of changing market conditions, notably the smoking ban. Against this background we have identified, and put on the market for sale, 96 pubs. We expect to sell these pubs unlicensed, for alternative use, and are confident that we will achieve sale proceeds in excess of book value.

LICENSEES
As the quality of our estate improves, so do the opportunities for licensees to build and sustain a profitable business. As ETI seeks to attract the best licensees, it remains a priority to ensure that the package that we offer is fair, that rents are not excessive and that real help is offered, where required, to make the most of the business opportunities that exist in any particular market.

Based upon our annual review of estate profitability, we estimate that the average level of licensee profitability in the 7,763 pubs that we owned at 30 September 2007 has increased by around 4% to £47,000. This increase reflects to some extent the benefit of churn in the estate, but we nevertheless estimate that on a like for like basis licensee profitability, despite continuing cost and margin pressures, has increased by 2.6%, broadly in line with inflation.

The ETI estate continues to be attractive to licensees, who recognise the quality of the pubs in our portfolio and the essential fairness of our package. This is once again supported by key performance indicators:

- During the year, some 85,000 visitors used our internet pub search facility, resulting in more than 1,500 formal applications, of which 80% were received on line.
- With 84% of the estate let on long term, assignable leases, most changes take the form of lease assignments. During the year there have been 790 assignments, at an average premium of £69,000 (£86,000 including fixtures and fittings).
- Rent concessions at 30 September 2007 increased marginally to £1.5 million, around 0.5% of rent roll.
- 1,457 rent reviews were completed during the year, with an average rental increase of 2.7% per annum. Just three rent reviews went to arbitration, two of which were found in favour of ETI.
- Overdue balances are at similar levels to last year and bad debt costs remain around 0.1% of turnover.

Market conditions will continue to test our licensees and we believe that many poorer quality pubs across the industry are likely to close. Nevertheless, given the quality and profitability of the ETI estate, we are confident that our pubs and licensees will continue to meet the challenges, gain market share and prosper.

SHARE BUYBACK PROGRAMME

During the year we continued to return cash to shareholders through a combination of our share buy-back programme and dividend payments. We purchased 102.9 million shares in the year at a cost of £658 million (excluding associated costs). In addition, we paid £79 million of dividends and therefore returned a total of £737 million to shareholders during the year. At the preliminary results presentation in November last year we announced that we intended to return at least the same level of cash to shareholders as we did in the year to September 2006. The total returned this year of £737 million compares to a total return in the previous year of £463 million, representing an increase of 59%. Taking into account the cash flow needs of the business, we expect to continue the share buy-back programme in the current financial year. Since 30 September we have purchased 3.5 million shares at a cost of £21m.

FINANCIAL STRUCTURE

Cash flow

Free cash inflow during the year amounted to £75 million, based on operating cash inflow and after deduction of mandatory payments in respect of interest and tax and discretionary payments in respect of capital expenditure and dividends.

Debt facilities

The Group has a flexible financing structure including a syndicated bank debt facility of £1 billion, corporate bonds and securitised bonds. At 30 September 2007 underlying net debt was £3,716 million compared to £3,166 million at the start of the year. Underlying net debt represents amounts owed to banks and other lenders net of cash retained in the business. During the year we repaid £81 million of securitised bonds from the proceeds of the sale of pubs and drew down the remaining balance of our syndicated bank facility.

Financial leverage

The two key metrics the Group uses to measure financial leverage are interest cover based on EBITDA and the ratio of underlying net debt to EBITDA. At 30 September 2007, interest cover was 2.4 times and underlying net debt to EBITDA was 7 times.

The Board considers this to be the optimal leverage level for the Group based on the current financing structure. We announced at our interim results presentation in May that we expected, subject to market conditions, the refinancing of the Unique securitisation to be completed by the end of the calendar year. However, to avoid pricing new long term debt at a time of uncertainty in the debt markets, we consider that a delay into 2008 is appropriate.

We believe that there is scope to increase the leverage in the Group to around eight times underlying net debt to EBITDA in a revised financing structure and the proposed refinancing of the Unique securitisation next year will aim to bring the Group closer to this level.

Balance Sheet
The book value of the pub estate is £5.7 billion which includes a revaluation increase in the year of £312 million. The net assets of the Group at year-end were £1,483 million which compares to £1,602 million as at 30 September 2006. Notwithstanding profit generation and an increase in the value of our pubs, the reduction in net assets arises as a result of the share buy-back programme.

Tax charge
The pre-exceptional tax charge of £85 million represents 28% of profit before tax and exceptional items. The total tax charge of £46 million is 14% of profit before tax.

The exceptional tax credit of £39 million comprises two significant deferred tax credits partially off-set by an exceptional deferred tax charge. The Finance Act 2007 reduced the rate of UK corporation tax to 28% with effect from April 2008. A one-off credit of £23 million arises as a result of a reduction in deferred tax balances due to this change. A second credit of £28 million arises in relation to indexation on the tax base cost of certain properties. A deferred tax charge of £12 million has been recognised in relation to the movement in fair value of interest rate swaps and profit on sale of property.

Cash outflow in respect of tax for the year was £71 million, equivalent to 24% of profit before tax and exceptional items.

Exceptional items
The Group has elected to classify certain items as exceptional and present them separately on the face of the Income Statement. Exceptional items are those which are separately identified by virtue of their size or nature to allow a full understanding of the underlying performance of the Group. As a result, the Group focuses on 'pre-exceptional' performance measures in order to compare underlying performance year on year.

The most significant exceptional items in the year are profit on disposal of property, plant and equipment of £22 million and movements relating to the fair value of financial instruments of £16 million. As discussed above, there is also a significant exceptional tax credit in the year of £39 million.

REAL ESTATE INVESTMENT TRUSTS (REITs)
The Group is involved in ongoing discussions with HMRC regarding a potential conversion to REIT status. HMRC has expressed the view that the Group, as currently structured, does not meet the qualifying criteria for admission as a REIT. We are, however, currently exploring with HMRC whether an internal restructuring of the Group's activities, currently being considered by the Board and designed to enhance shareholder returns and optimise the benefits of our proposed refinancing, would result in the Group becoming eligible for admission to the REIT regime. HMRC is considering various aspects of this proposed restructuring and we will update shareholders when there are significant developments to report.

INDUSTRY ISSUES

Ban on smoking in pubs
There is now a total ban on smoking in pubs throughout the UK and there has been an almost universal level of acceptance amongst pub-goers. Many people who avoided pubs because of the smoky atmosphere are now potential customers and forward-looking licensees are capitalising on this opportunity. Often, these opportunities arise through the provision of good quality food, and we estimate that food revenues across the ETI estate have risen by 13% in the past year, now representing at least 20% of average pub turnover. With standards of pub food constantly improving, there is a risk that the market place for "value for money" food may become overcrowded so our advice to licensees tends towards "do it really well or not at all", focusing above all on the

key strengths of each individual pub, and always trying to make sure that their pub is the best in each locality. The coming year will be difficult for some pubs and we remain cautious about the next six to nine months. However, we are confident of a positive outcome as the smoking ban becomes an accepted part of pub-going and licensees and customers alike enjoy the benefits of the more pleasant, healthier, smoke free regime.

Responsible drinking
The pub industry, through its trade bodies working with Government and the police, has made real progress over the past couple of years tackling the issues of under age drinking and irresponsible promotions. Proof of Age cards are now a regular and accepted part of pub-going for under 21s, with the result that the number of under-age drinkers being served in pubs has been significantly reduced. Furthermore, and without the need for legislation, industry self regulation has resulted in a marked reduction in irresponsible promotions that encourage excessive drinking, such as happy hours or "two for one" offers.

The pub is a highly regulated, professionally run environment, which should, and generally does, live up to its reputation as "the home of responsible drinking". Unfortunately, drink (and drug) fuelled anti social behaviour remains a serious problem to be tackled at all levels in society. In this regard, one must question the pricing policies of the major supermarkets and some other off trade outlets which sell alcohol, which is generally consumed in an unregulated environment, at very low prices. Not only do they, on occasion, sell alcohol at prices below cost but they have cheap alcohol at the heart of promotions policies, particularly in the run up to Christmas. When it comes to the important issue of tackling irresponsible drinking, it is up to all stakeholders to face up to their share of responsibility.

CONCLUSION AND OUTLOOK
In a challenging year for ETI and our licensees, the team has worked successfully to improve the quality of the pub estate, grow licensee profitability and deliver substantial growth in earnings and dividends. The new financial year has started well, but we remain cautious about consumer confidence and the impact through the coming winter of the smoking ban. In spite of these uncertain conditions, we believe that the quality of our pub estate will deliver performance ahead of the market and that the team will deliver further solid growth in shareholder value.

Group Income Statement
For the year ended 30 September 2007

	Notes	2007 Pre-exceptional items £m	2007 Exceptional items £m	2007 Total £m	2006 Pre-exceptional items £m	2006 Exceptional items £m	2006 Total £m
Revenue		**921**	**-**	**921**	970	-	970
Cost of sales		**(359)**	**-**	**(359)**	(387)	-	(387)
Gross profit		**562**	**-**	**562**	583	-	583
Administrative expenses		**(34)**	**-**	**(34)**	(36)	(2)	(38)
EBITDA +		**528**	**-**	**528**	547	(2)	545
Depreciation and amortisation		**(7)**	**-**	**(7)**	(8)	-	(8)
Operating profit		**521**	**-**	**521**	539	(2)	537
Net profit on sale of property, plant and equipment		**-**	**22**	**22**	-	67	67
Movements from revaluation of pub estate		**-**	**(2)**	**(2)**	-	(2)	(2)
Interest receivable		**8**	**-**	**8**	6	-	6
Interest payable		**(228)**	**-**	**(228)**	(230)	-	(230)
Write off of unamortised issue costs		**-**	**-**	**-**	-	(3)	(3)
Movement in fair value of financial instruments		-	16	16	-	40	40
Total finance costs		**(228)**	**16**	**(212)**	(230)	37	(193)
Profit before tax		**301**	**36**	**337**	315	100	415
Taxation	5	**(85)**	**39**	**(46)**	(95)	5	(90)
Profit after tax and attributable to members of the parent company		**216**	**75**	**291**	220	105	325
Earnings per Share ^							
Basic	6			**53.4p**			50.5p
Diluted	6			**53.0p**			50.0p
Adjusted *	6	**39.6p**			34.2p		
Adjusted diluted *	6	**39.3p**			33.9p		
Dividends^	7						
Dividends paid per share in respect of the year				**5.2p**			4.5p
Dividends proposed per share in respect of the year				**10.4p**			9.0p
				15.6p			13.5p

+ Earnings before interest, tax, depreciation and amortisation

* Excludes exceptional items

^Restated for the sub-division of shares from 5 pence to 2.5 pence per share on 17 January 2007.

Group Statement of Recognised Income and Expense
For the year ended 30 September 2007

	2007 £m	2006 £m
Unrealised surplus on revaluation of licensed estate	**312**	323
Movement in deferred tax liability related to revaluation of licensed estate	**(75)**	(91)
Tax related to share schemes recognised directly in equity	**3**	5
Gains on cash flow hedges	**6**	-
Deferred tax relating to gains on cash flow hedges	**(2)**	-
Actuarial gain on defined benefit pension scheme	**2**	-
Deferred tax relating to gain on defined benefit pension scheme	**(1)**	-
Reduction in deferred tax balances for change in UK tax rate	**24**	-
Net income recognised directly in equity	**269**	237
Profit for the year	**291**	325
Total recognised income and expense for the year attributable to members of the parent company	**560**	562

Group Balance Sheet
At 30 September 2007

	2007 £m	Re-stated # 2006 £m
Non-current assets		
Goodwill	**417**	417
Investments	**-**	2
Intangible assets: operating lease premiums	**19**	24
Property, plant and equipment	**5,710**	5,343
Pension scheme	**2**	-
Financial assets	**4**	1
	6,152	5,787
Current assets		
Assets held for sale	**8**	6
Trade and other receivables	**91**	94
Cash	**90**	111
Financial assets	**4**	1
	193	212
Non-current assets held for sale	**11**	10
Total assets	**6,356**	6,009
Current liabilities		
Trade and other payables	**(200)**	(210)
Current tax payable	**(59)**	(52)
Financial liabilities	**(77)**	(128)
Provisions	**-**	(1)
	(336)	(391)
Non-current liabilities		
Financial liabilities	**(3,819)**	(3,316)
Accruals and deferred income	**(4)**	(4)
Provisions	**(3)**	(4)
Deferred tax	**(711)**	(692)
	(4,537)	(4,016)
Total liabilities	**(4,873)**	(4,407)
Net Assets	**1,483**	1,602
Equity		
Called up share capital	**14**	16
Share premium account	**486**	486
Revaluation reserve	**1,096**	845
Capital redemption reserve	**11**	9
Merger reserve	**77**	77
Treasury share reserve	**(227)**	(227)
Other reserve	**(31)**	(42)
Cashflow hedge reserve	**4**	-
Profit and loss account	**53**	438
Enterprise Inns shareholders' equity	**1,483**	1,602

see note 2

Group Cash Flow Statement
For the year ended 30 September 2007

	2007	2006
	£m	£m
Cash flow from operating activities		
Operating profit	**521**	537
Depreciation and amortisation	**7**	8
Share-based expense recognised in profit	**3**	3
Decrease/(increase) in receivables	**6**	(10)
Decrease in payables	**(10)**	(2)
Decrease in provisions	**(2)**	(3)
(Increase)/decrease in current assets held for sale	**(2)**	1
	523	534
Tax paid	**(71)**	(69)
Net cash flows from operating activities	**452**	465
Cash flows from investing activities		
Payments to acquire public houses	**(91)**	(80)
Payments made on improvements to public houses	**(75)**	(54)
Payments to acquire other property, plant and equipment	**(3)**	(7)
Receipts from sale of property, plant and equipment	**128**	362
Receipts from sale of investments	**1**	-
Net cash flows from investing activities	**(40)**	221
Cash flows from financing activities		
Interest paid	**(228)**	(234)
Interest received	**8**	7
Issue costs of long-term loans	**-**	(4)
Equity dividends paid	**(79)**	(70)
Payments to acquire shares held in employee benefit trust	**-**	(17)
Payments to acquire own shares	**(667)**	(388)
Receipts from exercise of share options	**5**	5
Re-structuring of interest rate swaps	**(1)**	(30)
Debt due in less than one year		
– new short term loans	**75**	-
– repayment of short term loans	**(40)**	-
Debt due beyond one year		
– new long term loans	**685**	602
– repayment of long term loans	**(191)**	(542)
Net cash flows from financing activities	**(433)**	(671)
Net (decrease)/increase in cash	**(21)**	15
Cash at 1 October	**111**	96
Cash at 30 September	**90**	111

Notes

1. Status of information

The financial information contained within this announcement does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The figures for the year ended 30 September 2006 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. The information contained in this announcement was approved by the Board on 19 November 2007.

2. Accounting policies and basis of preparation

These results have been prepared in accordance with the International Financial Reporting Standards (IFRS) which applied at 30 September 2007.

The 2006 Balance Sheet has been adjusted with respect to the treatment of contingent agreements entered into regarding share buybacks during the close period. In accordance with IAS 32 'Financial Instruments: Presentation' a financial liability has been recognised as the Company has entered into a contingent agreement with a third party which requires the Company to purchase shares acquired during the close period. The Balance Sheet has been re-stated for the comparative period to recognise the financial liability estimated to have existed at that date of £74 million.

3. Exceptional items

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 include the following:

Exceptional administrative costs

The exceptional item shown within administrative costs in 2006 relates to restructuring costs.

Net profit on sale of property, plant and equipment

Net profit arising from the sale of property, plant and equipment.

Movements from revaluation of pub estate

Under IFRS any revaluation that causes the book value of a pub to fall below historic cost will lead to a charge in the Income Statement. If that same pub later recovers in value so that its book value exceeds historic cost, the increase in value is credited to the Income Statement to the extent that a debit was previously recognised. Where pubs identified for disposal are written down to 'fair value less costs to sell', this write down is also recognised in this line. Most of the impact of the annual revaluation exercise is accounted for in equity and recognised in the Statement of Recognised Income and Expense.

Movement in fair value of financial instruments

Under IFRS interest rate swaps are re-valued to fair value at each Balance Sheet date and the movement is recognised in the Income Statement unless hedge accounting is adopted. The movement in the fair value of swaps where hedge accounting is not applied is shown as an exceptional item and in 2007 this amounted to a credit of £19 million. The other item included in this line is any Income Statement impact of the un-wind of the share buy back liability. In 2007 this was a debit of £3 million. The total 'movement in fair value of financial instruments' in 2007 is therefore a credit of £16 million.

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. This led to an increase in goodwill in respect of this deferred tax. As this pre-acquisition liability reduces due to capital gains indexation relief, a credit is recognised in the Income Statement. This credit of £28m has been classified as an exceptional item.

A further one off credit has been recognised to reflect the changes in deferred tax balances arising from a reduction in corporate tax rates in the United Kingdom which have been substantively enacted at the Balance Sheet date. This credit of £23m has been classified as an exceptional item.

A deferred tax charge of £12 million has been recognised in relation to the movement in fair value of interest rate swaps and profit on sale of property. The total exceptional tax credit is therefore £39m.

4. EBITDA – impact of disposals of pubs

The Group disposed of 769 pubs to Admiral Taverns on 6 September 2006 and its Scottish estate of 137 pubs to Retail and Licensed Properties Limited on 5 December 2006. The pubs disposed of generated a total of £2m of EBITDA before exceptional items in the year ended 30 September 2007 and £40m in the year ended 30 September 2006. EBITDA has been revised for the effects of these disposals to allow a like-for-like comparison of the results of the Group.

Year ended 30 September 2007	As reported £m	Disposals £m	**Pro-forma £m**
Revenue			
Beer and cider sales	602	(2)	**600**
Wines, spirits and minerals sales	33	-	**33**
Rents receivable	261	(1)	**260**
Income from amusement and other machines	25	-	**25**
	921	(3)	**918**
Cost of sales			
Beer and cider cost of sales	(326)	1	**(325)**
Wines, spirits and minerals cost of sales	(26)	-	**(26)**
Leasehold charges	(3)	-	**(3)**
Repairs and maintenance	(4)	-	**(4)**
	(359)	1	**(358)**
Administrative expenses	(34)	-	**(34)**
EBITDA before exceptional items	528	(2)	**526**

Year ended 30 September 2006	As reported £m	Disposals £m	**Pro-forma £m**
Revenue			
Beer and cider sales	635	(47)	**588**
Wines, spirits and minerals sales	36	(3)	**33**
Rents receivable	270	(15)	**255**
Income from amusement and other machines	29	(4)	**25**
	970	(69)	**901**
Cost of sales			
Beer and cider cost of sales	(349)	26	**(323)**
Wines, spirits and minerals cost of sales	(28)	2	**(26)**
Leasehold charges	(4)	1	**(3)**
Repairs and maintenance	(6)	-	**(6)**
	(387)	29	**(358)**
Administrative expenses	(36)	-	**(36)**
EBITDA before exceptional items	547	(40)	**507**

5. Taxation

The pre-exceptional tax charge of £85m for the year equates to an effective tax rate of 28.2%. This effective tax rate does not include the effect of exceptional items.

	2007			2006		
	Pre-exceptional items	**Exceptional items**	**Total**	Pre-exceptional items	Exceptional items	Total
	£m	**£m**	**£m**	£m	£m	£m
Current tax	**83**	**-**	**83**	79	(1)	78
Deferred tax	**2**	**(39)**	**(37)**	16	(4)	12
Total	**85**	**(39)**	**46**	95	(5)	90

6. Earnings per Ordinary Share

The calculation of basic earnings per ordinary share is based on earnings of £291m (2006: £325m) and on 545.0 million (2006: 644.2 million^) 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 and shares held in treasury.

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 £216m (2006: £220m) and on 545.0 million (2006: 644.2 million^) 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 and shares held in treasury.

Diluted earnings per share is based on profit for the year of £291m (2006: £325m) and adjusted profit of £216m (2006: £220m) and on 549.1 million (2006: 649.4 million^) ordinary shares being the weighted average number of equity shares in issue during the year adjusted for dilutive ordinary shares relating to employee share options.

^Restated for the sub-division of shares from 5 pence to 2.5 pence per share on 17 January 2007.

7. Dividends

Paid during the year	**2007** **£m**	2006 £m
Equity dividends on ordinary shares:		
Final dividend relating to prior year	**52**	42
Interim dividend for current year	**27**	28
	79	70
Proposed for approval by shareholders at the AGM		
Final dividend for current year *	**52**	52

* For 2007 this represents an estimate of the cash outflow that will be incurred when the final dividend is paid in January 2008. For 2006 this represents the actual cash outflow incurred.

Proposed dividends are not accounted for until they are approved at the AGM. The final dividend of 10.4 pence per share will be paid on 21 January 2008 to members on the register on 28 December 2007.

8. Statement of changes in equity

	2007 **£m**	Re-stated # 2006 £m
Total equity at start of year	**1,602**	1,573
Total recognised income and expense for the year	**560**	562
Equity dividends paid	**(79)**	(70)
Consideration paid for purchase of own shares	**-**	(230)
Cancellation of ordinary shares	**(661)**	(166)
Change in provision for share buy-backs *	**53**	(74)
Employee share option entitlements exercised in the year	**5**	4
Share-based expense recognised in operating profit	**3**	3
Total equity at end of year	**1,483**	1,602

see note 2

* The 2006 Balance Sheet has been re-stated to include a provision for share buy backs (see note 2). The provision of £74m was set up at 30 September 2006 as this was the first date at which such a liability existed. The provision at 30 September 2007 is £21m and the change in provision during the year is therefore £53m.

9. Additional cash flow information

a) Reconciliation of net cash flow to movement in net debt

	2007 £m	Re-stated # 2006 £m
(Decrease)/increase in cash in the year	**(21)**	15
Cash inflow from change in debt	**(529)**	(30)
Issue costs of new long term loans	**-**	4
Change in net debt resulting from cash flows	**(550)**	(11)
Amortisation of issue costs and discounts/premiums on long-term loans	**(2)**	(2)
Amortisation of securitised bonds	**5**	5
Change in fair value of interest rate swaps	**26**	40
Change in provision for share buy-backs	**53**	(74)
Change in finance lease payables	**1**	-
Write off of unamortised issue costs	**-**	(3)
Movement in net debt in the year	**(467)**	(45)
Net debt at start of year	**(3,331)**	(3,286)
Net debt at end of year	**(3,798)**	(3,331)

b) Analysis of net debt

	2007 £m	Re-stated # 2006 £m
Corporate bonds	**(1,185)**	(1,185)
Syndicated bank borrowings	**(1,035)**	(425)
Securitised bonds	**(1,586)**	(1,667)
Gross debt	**(3,806)**	(3,277)
Cash	**90**	111
Underlying net debt	**(3,716)**	(3,166)
Capitalised debt issue costs	**18**	20
Fair value adjustments on acquisition of bonds	**(62)**	(67)
Fair value of interest rate swaps	**(13)**	(39)
Provision for share buy-backs in close period	**(21)**	(74)
Finance lease payables	**(4)**	(5)
Net debt	**(3,798)**	(3,331)
Balance sheet:		
Current financial assets	**4**	1
Non-current financial assets	**4**	1
Current financial liabilities	**(77)**	(128)
Non-current financial liabilities	**(3,819)**	(3,316)
Cash	**90**	111
Net debt	**(3,798)**	(3,331)

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

see note 2