20 November 2012

Enterprise Inns plc

Preliminary announcement for the financial year ended 30 September 2012

Enterprise Inns plc (ETI), the leading specialist operator of leased and tenanted pubs in the UK, today announces its results for the year ended 30 September 2012.

Highlights

- EBITDA* before exceptional items £340m (2011: £366m)
- Improving performance trends across the whole estate, with like-for-like net income down 1.2% (2011: 4.3% down)
- Like-for-like net income growth of 2.2% where publicans have been in occupation for over one year
- £208m net proceeds from disposals and our sale and leaseback programme
- Strong cash generation has reduced net debt by £266m to £2.7bn (2011: £3.0bn)
- New forward start bank facility of £220m commencing on expiration of existing facilities has extended the availability of bank financing to 15 June 2016

Statutory results

- Profit before tax and exceptional items £137m (2011: £157m)
- Profit after tax £44m (2011: £24m)
- Adjusted earnings per share[#] 20.5p (2011: 23.4p)

* Earnings before interest, tax, depreciation and amortisation
[#] Excludes exceptional items

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

"We are pleased to report significant progress in moving towards growth in net income despite a tough trading environment for our publicans and ourselves. We continue to stabilise operating performance with total like-for-like net income across the entire estate reducing by only 1.2%, or £5m, in the year to September 2012, compared with a fall of 4.3% in the prior year.

Strong cash flows from operating activities and our successful disposal programme have helped to reduce total borrowings to £2.7bn, secured against assets valued at £4.3bn. Our exposure to the banking market reduced to only £310m and the market price of our bonds improved by an average of 21% during the year. The strong cash generative nature of our business has enabled us to agree a new forward start facility of £220m which extends the availability of bank funding through to 2016.

Given the security of our funding position, we are now able to focus all efforts on continued operational improvement. Our first target is to achieve like-for-like net income growth for the entire estate before ultimately restoring the business to sustainable growth in earnings per share. In the meantime we will continue to use available cash to reduce debt as we aim to create value for our shareholders."

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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 from 9.30am. Alternatively, a live conference call of the presentation can be accessed at 9.30am GMT by dialling +44 (0)20 3140 0723 or +1 866 978 9967 (USA callers). A replay of the conference call will be available for 7 days on +44 (0)20 3140 0698, +1 877 846 3918 (USA) Replay Passcode: 388064#.

Forward-looking statements
This report contains certain statements about the future outlook for ETI. Although we believe our expectations are based on reasonable assumptions, any statements about future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.

CHIEF EXECUTIVE'S REVIEW

I am pleased to report our full year results for the year ended 30 September 2012, during which time we have delivered EBITDA before exceptional items of £340 million in line with our expectations and have made good progress securing our future funding position and improving our trading performance.

We are pleased that average net income per pub increased by 2.6% and that like-for-like net income where publicans have been in occupation for over one year increased by 2.2%. However, we remain fully focused on improving the total estate like-for-like net income which has declined by only 1.2% this year compared to a decline of 4.3% last year.

There was a wealth of special events taking place this year, such as the Diamond Jubilee, UEFA European Football Championship and the London 2012 Olympic and Paralympic Games. Whilst we supported our publicans' efforts to connect with their communities by holding activities to optimise the potential of these events, the record breaking rainfall throughout the summer served to outweigh any incremental trading benefits. Furthermore, although the Olympic and Paralympic Games brought a welcome boost to national pride, they had a negative impact on trading as evidenced by an 8% year-on-year decline in beer volume sales in the two weeks of the Olympics compared with an annual reduction of approximately 3% for the financial year. Despite such difficult trading conditions we are pleased with the progress we have made.

As our business stabilises and we look to support our publicans in driving growth in their pubs, we have reviewed and strengthened our Operations, Property and Commercial teams. As part of the review we have recruited an additional managing director into Operations, created more geographic divisions and reduced the average number of pubs for which our regional managers have responsibility. In addition we have appointed a new property managing director to refocus the property team to maximise value from our property portfolio and have recruited a new commercial director in order to extract value from our supply chain and identify fresh opportunities to grow income.

Under the direction of our new property managing director we have completed the review of all property assets in our portfolio to establish the value potential of every outlet. We have a trading and property plan for every asset to identify and implement its optimum trading solution whilst at the same time identifying instances where value can be enhanced either through an alternate use or disposal. The successful disposal programme has generated £208 million of net disposal proceeds during the past year, slightly ahead of plan, and we have a healthy pipeline of disposals planned to meet our target of £150 million proceeds in 2013.

On 31 May 2012 we successfully secured a refinancing package for the bank debt to extend the facility to 2016. The new bank facility, for £220 million, commences on the expiration of the existing facilities on 16 December 2013 and allows the Group to continue its strategy of bank debt reduction. As a consequence we believe that we have a very manageable and tax efficient capital structure comprising predominantly long term debt, consistent with the long term nature of our freehold assets.

As part of our bank debt reduction strategy we have repaid and cancelled the entire tranche B facility of the existing bank facilities thereby removing any restrictions on our ability to pay dividends. However, the Board continues to believe that, given the current economic uncertainty, it is not appropriate to resume the payment of dividends at this time. The Board believes that the best use of available cash is to reduce debt such that we achieve a long term transfer of value to shareholders.

TRADING REVIEW

Total estate like-for-like net income performance

The past five years have been difficult for publicans. The smoking ban, whilst welcome in the long term, required investment in new facilities and directly led to the demise of many smaller, wet-led pubs. Irresponsibly low prices and multi-buy offers from supermarkets appear to have encouraged pre-loading and increased the incidence of unsupervised alcohol consumption, particularly amongst younger pub goers.

As a result of the ill-conceived duty escalator, beer duty has been increased by 42% since 2008, with duty on a pint of beer (5% ABV) now costing 55p. Beer duty in the UK is over 12 times that of our German counterparts and in spite of UK beer drinkers consuming just 13% of European Union ("EU") beer volumes, the UK Government takes 40% of all excise duty levied in the EU. This increase hits pubs harder than supermarkets and is an extraordinary strategy for a Government which claims to support pubs at the heart of local communities. During the same five year period, utility costs have increased by an average of 47%, business rates have gone up by 19% and there have been further costs associated with employment and the increased regulatory burden.

As we seek to support our publicans through these tough times of weakening consumer expenditure and rising costs, rental charged, on a like-for-like basis, in our current estate has declined by an average of 12% since 2008. Over the same period the average discounts that we offer to our publicans on the cost of a barrel of beer has increased from £37 to £65.

Given this challenging background, we are encouraged that the steps we have taken are leading to greater stability across our estate, reflected in a fall of just 1.2% in average net income per pub on a like-for-like basis for the whole estate in the current year. Looking at the performance of these same 5,902 pubs in our estate at the year end, it is interesting to note that we have seen an improving trend to the 1.2% decline this year, from a 5.1% like-for-like decline in 2009.

Total estate like-for-like net income - geography

Increasingly we are experiencing divergent trading conditions by geography. The south, representing 42% of total net income, is growing at 1.2% assisted by the effects of a strong London economy. The agenda for our southern team is a growth strategy, prioritising investment opportunities and ensuring our publican selection process leads to optimal performance. In the north our team faces a different set of challenges. Our net income is down 3.4% as economic pressures provide difficult conditions for publicans and their customers and our team focuses on minimising the risk of business failure. In the central region our net income is down 2.4% as elements of the characteristics of both the north and south are evident. The operational reorganisation that we implemented this year was designed to recognise that each territory had different challenges and that the local teams required the flexibility to implement different strategies.

Location	No. of pubs at 30 Sept 2012	Net income* FY12 £m	% of total net income FY12	Net income FY11 £m	Net income change FY12 %	Net income change FY11 %
North	1,769	112	28	116	(3.4)	(7.2)
Central	1,899	120	30	123	(2.4)	(3.9)
South	2,234	166	42	164	1.2	(1.2)
Total	**5,902**	**398**	**100**	**403**	**(1.2)**	**(3.8)**

* Net income represents like-for-like pub level gross profits, stated before property costs of £28m, unallocated central costs of £8m and excluding £12m of net income relating to disposals or non-licensed premises.

Total estate like-for-like net income - occupation

As we look towards total estate net income growth based upon stability, investment and driving sales performance, it is encouraging that where publicans have been in their pubs for more than one year, representing 81% of total net income, we have seen like-for-like growth of 2.2% in the financial year. These pubs represent a robust core to our business and we will continue to work in partnership with these publicans to enhance income for us both. Of the 1,543 pubs where the publican has been trading for less than one year, 903 were trading under new agreements where the publican is still at the beginning of establishing the business and the balance of 640 pubs were either closed or trading under temporary agreements whilst we identify the correct long term solution for the pub.

Years in occupation	No. of pubs at 30 Sept 2012	Net income* FY12 £m	% of total Net income FY12	Net income FY11 £m	Net income change FY12 %	Reported[#] net income change FY11 %
Over 1 year	4,359	322	81	315	2.2	0.6
Less than 1 year	1,543	76	19	88	(13.6)	(24.4)
Total	**5,902**	**398**	**100**	**403**	**(1.2)**	**(4.3)**

* Net income represents like-for-like pub level gross profits, stated before property costs of £28m, unallocated central costs of £8m and excluding £12m of net income relating to disposals or non-licensed premises.

[#] FY11 reported net income change not directly comparable as relates to 6,289 pubs as at 30 September 2011.

FOCUSING THE BUSINESS ON GROWTH

In order to secure the path to earnings growth, our operational teams are focusing on four key differentiating activities: enhancing the quality of the estate; attracting and retaining the right publicans; providing exceptional local support and selling in smarter ways to optimise income.

Enhancing the quality of the estate

Sometimes changes in the local market conditions for a particular pub can be so severe that even the best publicans cannot generate a sustainable level of return. In such circumstances the appropriate outcome is to work with the publican to identify alternative opportunities for them whilst our Property team work to optimise the alternate use value of the asset. This churn removes the unsustainable element of the estate and generates cash proceeds from disposal that can be used to repay debt or invested in the core retained assets to optimise their income potential.

Over the next three years we expect the estate to reduce to approximately 5,200 pubs. Over the same period we plan to maintain our level of investment and spend approximately £180 million to improve the quality of our estate. In the recent past, a significant proportion of our capital expenditure has of necessity been defensive in nature ensuring basic functionality is in place to enable a continuation of trade. Looking forward we plan to direct an increasing proportion of our capital expenditure on growth driving activities, where appropriate repositioning pub businesses to meet the changing needs of their local customer base.

Attracting and retaining the right publicans to the Enterprise offer

Identifying, recruiting and supporting well-funded, quality publicans are critical success criteria for our organisation and we plan to reinvigorate the current suite of agreements that we offer. Quality pubs, together with attractive and flexible agreements, will attract the best talent and allow entrepreneurialism to flourish within the pub industry. We have many highly successful pubs and publicans, frequently acknowledged for their quality and contribution to their communities. For example, in 2012, the Royal Oak Inn in Appleby-in-Westmoreland was recognised as the UK’s Best Leased and Tenanted pub in the annual Great British Pub Awards.

A change of publican can be the catalyst for revitalising and securing the prospects of a pub. A seamless transition from one publican to another is always the preferred outcome for publicans, their customers and ourselves. However, in recent market conditions this outcome has sometimes been difficult to achieve. Even the best publicans may need our support to tackle the multiple challenges of declining consumer confidence, increased overhead costs, the burden of punitive increases in taxation and the high cost of regulation. In an attempt to prevent outright failure we have therefore continued to provide temporary concessions to publicans where appropriate, and have seen this cost reduce from £15 million last year to £6 million in 2012. Some of this reduction has been embedded in amended terms for good publicans because we acknowledge the permanent nature of changes in the market within which they operate. However we have also removed concessions where it is clear that a change of publican is the best outcome for the trading prospects of the pub.

Another cost associated with business failure is the bad debt that may arise on the departure of the publican. It is reassuring that the underlying cost of bad debt in the year has reduced to £1.3 million (2011: £1.5 million), with the level of overdue balances also down to £4.0 million (2011: £5.0 million), representing only 0.6% of turnover.

Our approach to the tie has continued to evolve, and free-of-tie options for bottled beers, ciders and flavoured alcoholic beverages ("FABs"), wines, spirits and minerals, gaming machines and guest ales are available in every new agreement. Where circumstances have been compelling to both parties, we have been able to agree completely free-of-tie terms. This suite of available options ensures that all publicans' needs can be met, whether at the time of a new agreement, or in order to sustain and evolve an existing relationship.

Our evolution of the traditional pub tenancy agreement, developed and trialled successfully as part of Project Beacon, has been further extended during the year. A greater level of direction and support from us provides both experienced and inexperienced self-employed publicans with the opportunity to work with us in a new and innovative way. Our comprehensive support packages include flexible start-up arrangements, industry-leading training, upweighted marketing support and strong financial discipline. Our regional managers provide commercial insight and work in partnership with the publican to develop the most appropriate retail proposition to compete sustainably in the local market place.

We have increased the number of outlets operating under the Beacon format to 254 (2011: 90) and are encouraged by their results. They are typically smaller, wet-led pubs with an average net income of around £35,000 but which have delivered significantly improved net income when compared to the three months prior to conversion. Aligned with our successful disposal programme, we believe there is a natural limit to the number of our pubs that would benefit from this particular product offer and method of operation and now anticipate a total population of around 300 pubs to operate to this format. We are extending the lessons learnt from Beacon to develop other concepts where food, sport or family are the more central elements of the pub offer, and we already have one trial site successfully operating a carvery concept.

Selling smarter

Our Commercial team, under the guidance of our new commercial director, has developed our thinking to optimise income by selling in smarter ways through our product offer, our pub offer and our service offer.

- Product offer

Development of our product offer will include initiatives to extract greater value from the increasing importance of food, entertainment and technology to the appeal of our pubs in their local markets. We are progressing our e-commerce plans to enable online order capture which will enhance our capability in product up-selling and tele-marketing. Key to the development of the product offer is our relationship with suppliers which continues to be strong. We will work with our suppliers to identify margin growth opportunities and target product mix and innovations that bring benefits to our publicans and to our income.

- Pub offer

Alongside our product offer we already provide an extensive range of marketing support activity to our publicans to allow them to service the demands of their customers and to compete effectively in their chosen market. For example, in cask ale, which now represents 19% of all beer sales volumes, we source 1,520 brands from 457 brewers, including 437 members of SIBA, who deliver their products directly to participating pubs, maintaining important relationships between local producer and publican and enabling our pubs to differentiate their drinks range from their competitors. We are implementing quarterly marketing campaigns that are events-led and category focussed which are supported by comprehensive marketing materials, the resources of our partner suppliers and of course our own regional teams.

- Service offer

Our training solutions have recently been enhanced to include a “Building your Business” programme which is designed to enable existing and new publicans to improve footfall and spend per head. Further training was provided in such areas as social networking and media marketing skills as well as more traditional business management activities.

We provide a wide variety of support packages to ETI publicans enabling them to secure essential services which are both cost-effective and legally compliant. Our Health & Safety Management Solution, heating, cellar cooling and boiler maintenance packages have now been taken up by thousands of publicans at a cost materially less than would be available in the open market. We continue to utilise our purchasing leverage and organisational capabilities to access beneficial purchasing terms for dry goods, consumables, utilities and other merchant services, securing significant savings for our publicans.

During the year we concluded a trial of Vianet iDraught bar management systems in our pubs, providing real benefits to publicans in controlling pouring yields, beer quality and cost management. We have subsequently made around 450 installations of the iDraught system into our estate in the year, alongside which we are also increasing the provision of EPOS Smart Till systems, where appropriate.

Exceptional local support

Our regional managers are at the core of the commercial relationship between us and our publicans and during 2012 we have invested in additional resource to enable these teams to spend more time directly engaging with our publicans in order to understand their needs and to help provide business building solutions.

At a time when the role of great publicans at the heart of their community has never been so important, we also set out to recognise the many publicans who add so much more to their communities than simply serving quality food and drink. We are investing £1 million over the next ten years to fund our Community Hero Awards which have been established to celebrate the contribution of publicans who have such an impact on the fabric and cohesion of their communities. From the many deserving nominations throughout our estate, 18 regional awards were made, and the national award for 2012 was presented to our publicans at The Hare Inn in Leighton Buzzard, who proved to be community heroes in so many different ways, organising local events to benefit veterans and the homeless, and inviting local teams, clubs, committees and other groups to use the pub as a regular meeting place.

PUB ESTATE

£63 million spent enhancing the quality of our freehold estate

Our estate now comprises 6,060 properties with a book value of £4.3 billion. The property portfolio comprises 5,902 trading pubs and 158 properties which are alternative use outlets or properties permanently closed or trading on short term agreements pending disposal. The estate is predominantly freehold with 99% of the value of the estate held as freehold or quasi-freehold (long term leases on peppercorn rents).

Portfolio as at 30 September 2012	No. of pubs	Total value £m
Current Estate		
- Freehold and finance leases	5,638	4,240
- Operating leases	264	11
	5,902	4,251
Non-viable		
- Freehold and finance leases	148	42
- Operating leases	10	-
TOTAL	**6,060**	**4,293***

* Represented by total PPE (£4,259m) excluding other assets (£23m), together with non-current assets held for sale (£46m) and operating lease premium (£11m).

The quality of our pub estate is critical to the success of our business, attracting the best publicans and providing a platform for them to invest in the long term profitability of their business. Property condition is a shared responsibility between ourselves and our publicans and we have continued to invest in enhancing the quality of the estate with £63 million of capital investment during the year. This investment is often made working alongside our publicans, who will additionally invest in facilities and fixtures and fittings, to reposition the pub for long term growth. We aim to increase the proportion of our capital investment in growth driving initiatives and plan to invest a total of £60 million in the coming year.

£208 million raised from successful programme of pub disposals

Total net proceeds received from our successful disposal programme in the year to 30 September 2012 amounted to £208 million. We disposed of 301 properties in the year, of which 199 were unsustainable pubs generating net proceeds of £67 million and 102 were exceptional properties generating net proceeds of £117 million at an average multiple of 14 times income. A further 17 were sold as a sale and leaseback package for net proceeds of £24 million at an average rental yield of 6.9%.

We have reported a net profit on disposal of property, plant and equipment of £33 million in the year (2011: £41 million) after writing down those pubs that were moved to assets held for resale by £25 million (2011: £76 million), of which £17 million was charged to the income statement in the year (2011: £55 million). We have, in addition, written down the value of pubs moved to assets held for resale but not yet disposed by £36 million (2011: £23 million) of which £27 million (2011: £18 million) was charged to the income statement in the year.

We will continue to dispose of unsustainable pubs as we enhance the quality of our retained estate and we will also capture opportunities to dispose of exceptional properties where we can realise cash proceeds above book value and at healthy multiples of income. We would not expect to complete further sale and leaseback transactions as we wish to preserve the largely freehold nature of our estate. Total disposal proceeds for the year to 30 September 2013 are expected to be in the region of £150 million of which £40 million is expected from our Unique estate.

Current pub valuations

Our pub estate is valued every year, analysing not only the current performance of every pub but also its future potential. The valuation is carried out in part by independent valuers and in part by our in-house team, with the end result bench-marked and reviewed for consistency. The valuation has confirmed that whilst the value of top quality pubs remains strong, evidenced in part by our experience from the exceptional property disposals in the year, there is continuing weakness in demand for pubs in poorer locations and with less potential. Across the market, there is a serious lack of bank lending to support those who wish to buy their own pubs, highlighting the importance of the leased and tenanted model in providing opportunities for entrepreneurs who wish to build a pub business of their own.

As a result of this annual review, we have written down the value of the current estate by £105 million, a 2% reduction to £4.3 billion, with £83 million charged to the Income Statement and £22 million reflected in the revaluation reserve.

LONG TERM AND SECURE FINANCING STRUCTURE

We have a long term, secure, flexible and tax efficient financing structure comprising bank borrowings, securitised bonds and corporate bonds. Despite the continued economic challenges we have maintained strong cash flows from operating activities, as well as generating £208 million net proceeds from the disposal of pubs in the year, which has enabled us to reduce net debt at 30 September 2012 to £2.7 billion compared to £3.0 billion at last year end.

Bank borrowings reduced and availability extended to 2016

At 30 September 2012 our drawn bank borrowings net of cash were £310 million (2011: £446 million), a reduction of £136 million during the financial year. The strong cash generation in the year has enabled us to repay and cancel tranche B of the existing bank facilities. Consequently any restrictions on returning cash to shareholders that applied whilst tranche B was in place have been removed. The current available bank facility of £389 million comprises entirely of tranche A debt which expires in December 2013.

On 1 June 2012 we announced a new £220 million Forward Start Facility which will commence on expiration of the existing facilities in December 2013. The new facility is committed to 15 December 2015 (Facility A: £70 million) and 15 June 2016 (Facility B: £75 million and Facility C: £75 million). The initial margin over Libor commences at 5.0% on Facility A and 4.5% over Libor on Facilities B and C. The financial covenants include net debt to EBITDA, interest cover and total property asset cover at the same levels as the existing facility and a fixed asset cover of 1.33 times. There are no restrictions upon our ability to pay dividends. In addition there is an incremental interest charge of 100bps on £220 million of the existing facilities during the period to December 2013.

Extending the availability of bank facilities through to June 2016 has provided us with the funding security and the time to effectively manage our strategy of bank debt reduction which has seen us reduce facilities from £1.1 billion in 2008 to the new level of £220 million by 2013.

Securitised bonds are long term, manageable and efficient

During the year we have prepaid and cancelled £116 million of the Unique securitised bonds leaving £1,320 million outstanding at the year end. The bonds amortise over a period to 2032 and attract an interest rate of 5.7% to 7.4%. At 30 September 2012 the Group was £124 million ahead of the amortisation schedule of the “A class” securitised bonds through early repayment and market purchases.

We have now repaid and cancelled last year’s total outstanding balance of £51 million of the Unique floating rate A2N notes meaning they have been repaid a full year ahead of schedule leaving only fixed rate notes outstanding.

In addition we have purchased and cancelled £63 million Unique A4 securitised bonds in the year at an average discount of 20% of nominal value. We have also acquired and cancelled £2 million Unique A3 securitised bonds at a discount of 17% of nominal value. These purchases represent the planned programme of purchase and cancellation of Unique “A class” bonds that will keep us one year ahead of the scheduled debt profile. No further material purchases are required although we will continue to monitor the bond markets for opportunities to capture value.

Corporate bonds are non-amortising and asset backed

The £1,185 million of corporate bonds are non-amortising, secured against ring-fenced portfolios of freehold pubs and attract fixed rates of interest averaging approximately 6.5% with the next scheduled maturities being £60 million in February 2014 and £600 million in March 2018. Whilst we will have the resources to repay the £60 million bond due in 2014 from cash flow, we will explore the opportunity of extending the term of this instrument. We would expect to refinance the £600 million bond due in 2018 at or before maturity, bearing in mind that it will always be secured on a portfolio of pubs with an up-to-date valuation of £1 billion and interest cover of two times.

The progress we have made during the year with regard to our funding position has been reflected in increased bond market confidence. We have seen the average price of the Unique bonds increase from 65p to 80p over the 12 months to September 2012 and the ETI corporate bonds have increased from 69p to 81p during the same period, in aggregate representing a 21% improvement across all bonds.

REGULATORY

It is reassuring for the whole industry that the Government remains committed to self-regulation in the landlord-tenant relationship. We have continued to work with representative bodies of both companies and publicans to further evolve the Industry Framework Code of Practice in line with commitments given to the Department for Business, Innovation and Skills. Key elements of the self-regulatory regime are the low cost and easily accessible services provided by the Pub Independent Rent Review Scheme (PIRRS) and the

Pub Independent Conciliation and Arbitration Service (PICAS). PIRRS provides publicans with independent determination of rent at the time of a cyclical rent review, while PICAS provides a mechanism for dispute resolution and remedy. We will continue to extensively promote the availability of these services to publicans.

OUTLOOK

We complete the 2012 financial year in good shape, having made progress in many areas and having invested significant sums into the quality of our estate and our internal resources to ensure that we are well placed to tackle the continuing volatility and challenge of the current market.

We are confident that the quality of our pub estate, the flair and resilience of our publicans and the skills and commitment of our team will continue to deliver solid results, whatever the market conditions. We are now focused on returning the business to growth, through a number of initiatives that we believe will continue to generate significant cash flows which we will use to reduce our debts and deliver value for shareholders.

We intend to issue an Interim Management Statement on 31 January 2013.

G E Tuppen CBE
20 November 2012

Group Income Statement
for the year ended 30 September 2012

	Notes	**2012** Pre-exceptional items £m	**2012** Exceptional items £m	**2012** Total £m	2011 Pre-exceptional items £m	2011 Exceptional items £m	2011 Total £m
Revenue		**692**	**-**	**692**	711	-	711
Cost of sales		**(318)**	**-**	**(318)**	(312)	-	(312)
Gross profit		**374**	**-**	**374**	399	-	399
Administrative expenses		**(34)**	**(4)**	**(38)**	(33)	(2)	(35)
EBITDA #		**340**	**(4)**	**336**	366	(2)	364
Depreciation and amortisation		**(14)**	**-**	**(14)**	(14)	-	(14)
Operating profit/(loss)		**326**	**(4)**	**322**	352	(2)	350
Profit on sale of property, plant and equipment	4	**-**	**33**	**33**	-	41	41
Goodwill allocated to disposals	5	**-**	**(18)**	**(18)**	-	(15)	(15)
Net profit on sale of property, plant and equipment		**-**	**15**	**15**	-	26	26
Movements in the valuation of the pub estate and related assets	6	**-**	**(127)**	**(127)**	-	(191)	(191)
Total finance costs		**(189)**	**-**	**(189)**	(195)	(4)	(199)
Gain on purchase of own debt		**-**	**13**	**13**	-	-	-
Net finance costs	7	**(189)**	**13**	**(176)**	(195)	(4)	(199)
Profit/(loss) before tax		**137**	**(103)**	**34**	157	(171)	(14)
Taxation	8,9	**(35)**	**45**	**10**	(40)	78	38
Profit/(loss) after tax attributable to members of the Parent Company		**102**	**(58)**	**44**	117	(93)	24
Earnings per Share							
Basic	10			**8.8p**			4.8p
Basic Diluted	10			**8.8p**			4.8p
Adjusted *	10	**20.5p**			23.4p		
Adjusted diluted *	10	**20.4p**			23.4p		

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

Statement of Comprehensive Income
for the year ended 30 September 2012

	2012 **£m**	2011 £m
Profit for the year	**44**	24
Other comprehensive income:		
Unrealised deficit on revaluation of pub estate	**(22)**	(56)
Movement in deferred tax liability related to revaluation of pub estate	**6**	20
Write down of non-current assets held for sale	**(18)**	(26)
Actuarial loss on defined benefit pension scheme	**(1)**	(1)
Movement in cash flow hedge reserve	**-**	3
Restatement of deferred tax liability related to the revaluation of pub estate for change in UK tax rate	**17**	25
Other comprehensive income for the year net of tax	**(18)**	(35)
Total comprehensive income/(loss) for the year attributable to members of the Parent Company	**26**	(11)

Group Balance Sheet
as at 30 September 2012

	Notes	2012 £m	2011 £m
Non-current assets			
Goodwill		**359**	377
Intangible assets: operating lease premiums		**11**	12
Property, plant and equipment	11	**4,259**	4,572
		4,629	4,961
Current assets			
Assets held for sale		**3**	5
Trade and other receivables		**55**	64
Cash		**125**	114
		183	183
Non-current assets held for sale	12	**46**	27
Total assets		**4,858**	5,171
Current liabilities			
Trade and other payables		**(180)**	(205)
Current tax payable		**(16)**	(16)
Financial liabilities		**(95)**	(42)
Provisions		**(7)**	(6)
		(298)	(269)
Non-current liabilities			
Financial liabilities		**(2,767)**	(3,075)
Provisions		**(3)**	(3)
Deferred tax		**(364)**	(426)
Pension scheme		**(1)**	(1)
		(3,135)	(3,505)
Total liabilities		**(3,433)**	(3,774)
Net assets		**1,425**	1,397
Equity			
Called up share capital		**14**	14
Share premium account		**486**	486
Revaluation reserve		**807**	859
Capital redemption reserve		**11**	11
Merger reserve		**77**	77
Treasury share reserve		**(227)**	(227)
Other reserve		**(20)**	(23)
Cash flow hedge reserve		**-**	-
Profit and loss account		**277**	200
Enterprise Inns shareholders' equity		**1,425**	1,397

Group Statement of Changes in Equity
at 30 September 2012

	Share capital £m	Share premium account £m	Revaluation reserve £m	Capital redemption reserve £m	Merger reserve £m	Treasury share reserve £m	Other reserve £m	Cash flow hedge reserve £m	Profit and loss account £m	Total £m
At 30 September 2010	14	486	922	11	77	(227)	(23)	(3)	150	1,407
Profit for the year	-	-	-	-	-	-	-	-	24	24
Other comprehensive income	-	-	(37)	-	-	-	-	3	(1)	(35)
Total comprehensive income	-	-	(37)	-	-	-	-	3	23	(11)
Transfer of realised revaluation surplus	-	-	(26)	-	-	-	-	-	26	-
Share based expense recognised in operating profit	-	-	-	-	-	-	-	-	1	1
At 30 September 2011	14	486	859	11	77	(227)	(23)	-	200	1,397
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**44**	**44**
Other comprehensive income	**-**	**-**	**(17)**	**-**	**-**	**-**	**-**	**-**	**(1)**	**(18)**
Total comprehensive income	**-**	**-**	**(17)**	**-**	**-**	**-**	**-**	**-**	**43**	**26**
Transfer of realised revaluation surplus	**-**	**-**	**(35)**	**-**	**-**	**-**	**-**	**-**	**35**	**-**
Transfer of shares from Employee Benefit Trust to Share Incentive Plan	**-**	**-**	**-**	**-**	**-**	**-**	**3**	**-**	**(3)**	**-**
Share based expense recognised in operating profit	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2**	**2**
At 30 September 2012	**14**	**486**	**807**	**11**	**77**	**(227)**	**(20)**	**-**	**277**	**1,425**

Group Cash Flow Statement
for the year ended 30 September 2012

	2012 £m	2011 £m
Cash flow from operating activities		
Operating profit	**322**	350
Depreciation and amortisation	**14**	14
Share-based expense recognised in profit	**2**	1
Decrease in receivables	**9**	-
Decrease in payables	**(25)**	(12)
Increase in provisions	**1**	1
Decrease/(increase) in current assets held for sale	**2**	(1)
	325	353
Tax paid	**(29)**	(27)
Net cash flows from operating activities	**296**	326
Cash flows from investing activities		
Payments made on improvements to public houses	**(61)**	(71)
Payments to acquire other property, plant and equipment	**(2)**	(1)
Receipts from sale of property, plant and equipment	**208**	238
Net cash flows from investing activities	**145**	166
Cash flows from financing activities		
Interest paid	**(188)**	(192)
Interest received	**1**	1
Issue costs of long-term loans	**(8)**	(2)
Cancellation and restructuring of interest rate swaps	**(3)**	(6)
Payments to acquire own debt	**(52)**	-
New loans	**160**	1,134
Repayment of loans	**(340)**	(1,421)
Net cash flows from financing activities	**(430)**	(486)
Net increase in cash	**11**	6
Cash at start of year	**114**	108
Cash at end of year	**125**	114

Notes

1. Status of information

The financial information for the years ended 30 September 2012 and 2011 are based on the statutory accounts for those years. The auditors issued unqualified opinions on the statutory accounts for those years which did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and which did not contain a statement under s498(2) or (3) of the Companies Act 2006. The statutory accounts for the year ended 30 September 2011 have been delivered to the Registrar of Companies. The statutory accounts for the year ended 30 September 2012 have not yet been delivered to the Registrar of Companies. The information contained in this announcement was approved by the Board on 19 November 2012.

2. Accounting policies and basis of preparation

These results have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

These preliminary financial statements have been prepared on a consistent basis using the accounting policies set out in the Annual Report and Accounts for the year ended 30 September 2011.

The directors have made enquiries into the adequacy of the Group's financial resources including a review of its budget, forecasts and medium term financial plan, including a review of cash flow forecasts and financial covenant calculations, and have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

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 8 below:

3. Exceptional items recognised in operating profit

An exceptional charge of £4 million (2011: £2 million) has been incurred relating to reorganisational costs and costs incurred in respect of regulatory matters.

4. Profit on sale of property, plant and equipment

	2012 **£m**	2011 £m
Normal disposals		
Profits on sale of property, plant and equipment	**42**	23
Losses on sale of property, plant and equipment	**(10)**	(12)
	32	11
Sale and leaseback disposals		
Profits on sale of property, plant and equipment	**1**	30
Profit on sale of property, plant and equipment	**33**	41

During the year 301 pubs (2011: 466 pubs) and various other plots of land with a book value of £154 million (2011: £95 million) were sold generating gross proceeds of £193 million (2011: £117 million) which, after taking account of disposal costs of £7 million (2011: £11 million), resulted in an overall profit of £32 million (2011: £11 million).

In addition to the above, 17 pubs (2011: 105 pubs) with a book value of £23 million (2011: £102 million) were sold as part of the Group's sale and leaseback programme. These pubs generated gross proceeds of £24 million (2011: £133 million) which, after taking account of disposal costs, resulted in a profit over book value of £1 million (2011: £30 million). These pubs were immediately leased back by the Group and are now classified as operating leases.

5. Goodwill allocated to disposals

In accordance with IAS 36 'Impairment of Assets' purchased goodwill has been allocated to pubs disposed of, based on the relative value of the disposal to pubs retained. Accordingly goodwill of £18 million (2011: £15 million) has been allocated to the 318 pubs disposed of during the year (2011: 571 pub disposals).

6. Movements in valuation of the pub estate

	2012 £m	2011 £m
Movements in property, plant and equipment from revaluation of pub estate (see note 11)	**(83)**	(117)
Movements in intangible assets from revaluation of pub estate	**-**	(1)
Write down of non-current assets held for sale to fair value less costs to sell (see note 11)	**(44)**	(73)
	(127)	(191)

A valuation of the entire pub estate excluding non-current assets held for sale has been carried out at the year end. The result of the valuation is that the pub estate, excluding non-current assets held for sale, has fallen by £105 million. Of this write-down, £22 million has been debited to Other Comprehensive Income and £83 million has been charged to the Income Statement as an exceptional item, reflecting pub values which have fallen below historic cost.

In respect of assets transferred to non-current assets held for sale, a total write-down of £62 million has been recorded. Of this write-down, £18 million has been debited to Other Comprehensive Income and £44 million has been charged to the Income Statement as an exceptional item. At the year end, there are 159 pubs (2011: 95 pubs) included within non-current assets held for sale which have been recorded at the lower of book value and fair value less costs to sell.

7. Exceptional finance cost

	2012 £m	2011 £m
Movement in fair value of financial instruments	**1**	2
Reclassification from cash flow hedge reserve	**-**	(3)
Other interest payable and finance costs	**(1)**	(3)
Gain on purchase of own debt	**13**	-
	13	(4)

Under IFRS, 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 adopted. The movement in the fair value of the swaps where hedge accounting is not applied is shown as an exceptional item.

The exceptional other interest payable and finance costs in the current year of £1 million relates to interest accrued on tax provisions. In the prior year the charge of £3 million principally relates to prospective finance arrangement fees written off in the period.

During the year ended 30 September 2012, £63 million Unique A4 securitised bonds were purchased and cancelled at an average purchase price of 80p for each £1 of nominal value and £2 million Unique A3 securitised bonds were repurchased and cancelled at an average price of 83p for each £1 of nominal value generating a gain of £13 million, shown in the Income Statement as an exceptional item.

8. 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. As this pre-acquisition liability changes due to capital gains indexation relief and changes in the rate of UK tax, the movement is recognised in the Income Statement. The impact of capital gains indexation relief is calculated based on the movement in the Retail Price Index (RPI). This credit of £4 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.

A deferred tax credit of £21 million relating to the revaluation of the pub estate and net profit on disposals of pubs recognised in the Income Statement also reduces the deferred tax liability relating to the pub estate.

The UK Government reduced the rate of corporation tax by 2% from 26% to 24% effective from 1 April 2012 and announced its intention to reduce the rate further by 1% to 23% by 1 April 2013 and an additional 1% to 22% by 1 April 2014. The change in corporation tax from 24% to 23% has been substantively enacted and therefore the deferred tax assets and liabilities included within these results have been based on the reduced rate of 23%. An exceptional tax credit of £16 million has been recognised in relation to this restatement of deferred tax balances to 23% at 30 September 2012.

An exceptional tax credit of £4 million has been recognised in relation to all other exceptional items in the Income Statement. The total exceptional tax credit is therefore £45 million.

The forecast effect of the proposed reductions in the corporation tax rate by 2014 would be to decrease the net deferred tax liability by £15 million.

9. Taxation

The pre-exceptional tax charge of £35 million (2011: £40 million) for the year equates to an effective tax rate of 25.5% (2011: 25.5%). The effective tax rate does not include the effect of exceptional items.

10. Earnings per Ordinary Share

The calculation of basic earnings per ordinary share is based on the profit of £44.1 million (2011: profit of £24.0 million) and on 499.4 million (2011: 499.0 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 profits adjusted for the effects of exceptional items, net of tax, of £102.2 million (2011: £117.1 million) and on 499.4 million (2011: 499.0 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 the profit for the year of £44.1 million (2011: profit of £24.0 million) and adjusted profit of £102.2 million (2011: £117.1 million) and on 500.2 million (2011: 499.8 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.

11. 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 2011	4,346	245	36	4,627
Additions	30	29	3	62
Revaluation:				
- Recognised in the Statement of Comprehensive Income	(22)	-	-	(22)
- Recognised in the Income Statement	(83)	-	-	(83)
Write down to fair value less costs to sell:				
- Recognised in the Statement of Comprehensive Income	(18)	-	-	(18)
- Recognised in the Income Statement	(44)	-	-	(44)
Net transfers to non-current assets held for sale	(178)	(14)	-	(192)
Net transfers from current assets held for sale	-	3	-	3
Disposals	-	(6)	(4)	(10)
At 30 September 2012	**4,031**	**257**	**35**	**4,323**
Depreciation				
At 1 October 2011	12	29	14	55
Charge for the period	2	9	2	13
Net transfers to non-current assets held for sale	-	(2)	-	(2)
Net transfer to current assets held for sale	-	2	-	2
Disposals	-	-	(4)	(4)
At 30 September 2012	**14**	**38**	**12**	**64**
Net book value				
At 30 September 2012	**4,017**	**219**	**23**	**4,259**
At 30 September 2011	4,334	216	22	4,572

12. Non-current assets held for sale

	2012 **£m**	2011 £m
At 1 October	**27**	30
Net transfer from property, plant and equipment	**190**	187
Write-down to fair value less costs to sell	**(2)**	(1)
Disposals	**(169)**	(189)
At 30 September	**46**	27
Representing:		
Property, plant and equipment	**46**	27

When assets are identified for disposal and meet the criteria within IFRS 5 they are reclassified from property, plant and equipment to non-current assets held for sale and are valued at the lower of book value and fair value less costs to sell. At the end of the year non-current assets held for sale includes 159 pubs (2011: 95 pubs) which are expected to be sold within the next year.

13. Additional cash flow information

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

	2012 £m	2011 £m
Increase in cash in the year	**11**	6
Cash outflow from change in debt	**232**	287
Issue costs of new long term loans	**8**	2
Change in net debt resulting from cash flows	**251**	295
Amortisation of issue costs and discounts/premiums on long-term loans	**(7)**	(6)
Gain on purchase of own debt	**13**	-
Amortisation of securitised bonds	**5**	5
Change in fair value of interest rate swaps	**4**	8
Movement in net debt in the year	**266**	302
Net debt at start of year	**(3,003)**	(3,305)
Net debt at end of year	**(2,737)**	(3,003)

b) Analysis of net debt

	2012 £m	2011 £m
Bank borrowings	**(335)**	(464)
Corporate bonds	**(1,185)**	(1,185)
Securitised bonds	**(1,320)**	(1,436)
Gross debt	**(2,840)**	(3,085)
Cash	**125**	114
Underlying net debt	**(2,715)**	(2,971)
Capitalised debt issue costs	**21**	20
Fair value adjustments on acquisition of bonds	**(39)**	(44)
Fair value of interest rate swaps	**-**	(4)
Finance lease payables	**(4)**	(4)
Net debt	**(2,737)**	(3,003)
Balance sheet:		
Current financial liabilities	**(95)**	(42)
Non-current financial liabilities	**(2,767)**	(3,075)
Cash	**125**	114
Net debt	**(2,737)**	(3,003)

Underlying net debt represents amounts repayable to banks and other lenders net of cash retained in the business. Cash includes £100 million held in the securitised Unique sub-group, of which £65 million is held in a securitised Reserve account.

ADDITIONAL INFORMATION

Principal risks and uncertainties

This section highlights the principal risks and uncertainties facing the Group. The Group is exposed to a variety of financial, operational, economic and regulatory risks and uncertainties. This is not an exhaustive analysis of all the risks the Group may face: some risks have not been included in this section on the basis that they are not considered to be material. The Group has formal management processes in place to identify and evaluate these risks. Some of the risks are external and therefore beyond our control. The Board formally reviews these material risks and ensures that these are appropriately managed by the executive management team and the Board retains overall responsibility for the Group's risk management framework.

The internal audit function provides assurance to the Audit Committee on the effectiveness of the internal control procedures. This is done through completion of the annual internal audit plan, which takes into account current business risks. The Board has delegated to the Audit Committee responsibility for reviewing annually the overall effectiveness of the risk management programme.

In summary the principal risks and uncertainties are:

Financial risks

The Group has a flexible financing structure comprising bonds issued from the Unique securitisation (securitised bonds), corporate bonds issued by Enterprise Inns plc (Enterprise corporate bonds) and bank borrowings. The availability of funding or changes in interest rates may cause adverse effects on the Group's liquidity and earnings.

Mitigation process: The Board regularly reviews detailed financial and covenant forecasts and closely monitors the on-going debt reduction programme to ensure there is sufficient headroom on funding and the financial covenants.

Operational risks

Operational risks are present in the Group's business including the risk of a failure of our information technology systems or our supply chain and our reliance on our employees and publicans.

Mitigation process: The Group adopts a number of policies, including maintaining a rigorous business continuity plan, adopting a partnership approach with key suppliers and ensuring robust recruitment and training programmes for employees and publicans to minimise operational risks.

Economic risks

The Group's business operations are sensitive to economic conditions and these conditions have had an adverse impact on consumer spending affecting our publicans and suppliers with resulting cash flow implications for the Group. Valuations of the Group's property portfolio could be affected by general economic conditions with resulting downwards pressure on maintainable income streams and the ability to meet key financial covenants.

Mitigation process: The Group invests in developing and improving our pubs to ensure that we remain competitively placed in the market. The Board regularly monitors and reviews the performance and valuation of the estate with external valuers and advisers.

Regulatory risks

Government regulation in our business sector could impact on the tied pub model, our operational strategy and our relationship with our publicans. Reputational risk arises from the possibility of legal or statutory proceedings, including health and safety incidents. Finally there is a risk that changes to the licensing regulations relating to the sale of alcohol could have an impact on the Group's business and the ability of our publicans to operate their pubs.

Mitigation process: The Group is committed to the tied pub model and works closely with a number of stakeholders to support the pub sector, evolve the tied pub model and ensure it operates an appropriate Code of Practice to promote a mutually beneficial relationship with its publicans.